



MAKHUDUTHAMAGA LOCAL MUNICIPALITY

Mmogo re somela dipheto go! | Together working for change!

(Registration number LIM473)
Annual Financial Statements
for the year ended June 30, 2019

Makhuduthamaga Local Municipality

(Registration number LIM473)

Annual Financial Statements for the year ended June 30, 2019

General Information

Legal form of entity	Local Government
Nature of business and principal activities	Provision of municipal quality services and maintaining the best interests of the local community in the Makhuduthamaga area
Mayoral committee	
Municipal Mayor	Cllr Maitula B.M
Executive Committee Members	Cllr Mapheto M.T Cllr Lerobane M.P Cllr Mankge H.N Cllr Mohlala M.J Cllr Maloma P.T Cllr Monakedi A.L Cllr Phala M Cllr Maisela K.R
Council Speaker	Cllr. Tala M.A
Council Chief Whip	Cllr. Chego K.D
Accounting Officer	Ms. Rampedi M.N
Chief Financial Officer	Mr. Moganedi R.M
Registered office	Makhuduthamaga Municipality LIM473 No 1 Groblersdal Road Next to Jane Furse Plaza 1085
Business address	No 1 Groblersdal road Next to Jane Furse Plaza Jane Furse 1085 www.makhuduthamaga.gov.za
Postal address	Private Bag x 434 Jane Furse 1085 Tel:013 265 8600 Fax:013 265 1975
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa
Attorneys	Makgahlela Mashaba Attorneys(Civil matters) Ratale Mashifane Attorneys(Labour matters)

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers
Cllr	Councillor
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
INEG	Intergrated National Electrification Grant
FMG	Financial Management Grant
LG SETA	Local Government Sector Education and Training Authority

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board as the prescribed framework by National Treasury.

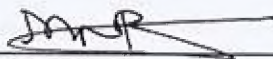
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer have set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records can be relied on for the preparation of the annual financial statements.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June, 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 7 to 81, and appendixes as set out on page 82 to 97 which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2019 and were signed on its behalf by:



Accounting Officer
Ms Rampedí M.N

Makhuduthamaga Local Municipality

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Audit and Performance Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year five (05) meetings were held. The attendance of the audit committee meetings was as follows.

Name of member	Number of meetings attended
Manthata H.M (Chairperson)	5
Ngoetjane M.S CA(SA) (Member)	4
Maeyane A.K (Member)	3
Mpjane J.N CA(SA) (Member)	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Audit committee reports for all four quarters of the financial year ended 30 June 2019 were submitted and approved by council.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Evaluation of annual financial statements, Risk Management & Performance Management

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be submitted to the Auditor-General South Africa for external audit with the Accounting Officer and senior management of the municipality;
- reviewed the prior year Auditor-General of South Africa's management report and management's response thereto and discussed the progress on implementation of the management's remedial action plans on a quarterly basis for the year ended 30 June 2019;
- reviewed the risk management registers and progress report for implementation of the action plans for all four quarters of the financial year ended 30 June 2019 and is satisfied with the functionality of the risk management committee and the risk management unit of the municipality;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed the quarterly performance management reports and annual performance report for the year ended 30 June 2019 and discussed the reports with management on a quarterly basis.

The audit committee concur with and accept the annual financial statements, of the municipality presented for external audit and are of the opinion that the unaudited annual financial statements should be accepted and should be read together with the report of the Auditor-General of South Africa after completion of the external audit.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit Committee (Ms Manthata H.M)

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Audit and Performance Committee Report

Date: 30/08/2019

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Accounting Officer's Report

The accounting officers submit their report for the year ended June 30, 2019.

1. Review of activities

Main business and operations

Net deficit of the municipality for the current year was R 46,749,664 (2018: deficit R 66,834,320).

The expenditure in excess of the budgeted revenue for the current year 2018/19 and prior year 2017/18 was funded through the cash backed reserves to a total amount of R 50 124 967 and R79 211 195 respectively, which cannot be recognised as revenue in the statement of financial performance. The deficit of R 46 749 664 for current year and R 66 834 320 for the prior year, reported was as a result of the expenditure in excess of the budgeted revenue funded through the cash reserves.

2. Going concern

The municipality conducted a going concern assessment as at 30 June 2019 and the results concluded that the municipality will be able to operate for the coming foreseeable future.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Accounting policies

The annual financial statements prepared were in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Date of appointment
Ms Rampedi M.N	South African	01 July 2018

5. Corporate governance

The municipality has a council of 62 councilors with ANC as the majority party, EFF as the official opposition and four (4) other opposition parties. The mayor of the municipality is Ms Maitula B.M and the council has elected nine (9) executive committee members to assist the mayor in the execution of her full time responsibilities as the political head of the municipality. All departments of the municipality have portfolio committees that meet on a monthly basis to review the reports on implementation of the approved IDP, Budget and the SDBIP and for the year ended 30 June 2019, all portfolio committees were able to meet on a monthly basis. Council has appointed an Audit committee and a Municipal Public Accounts Committee to assist the council on effective, efficient and high level of governance of the municipality and the committees were functional during the financial year ended 30 June 2019 .

6. Bankers

The municipality banks primarily with Absa Bank Limited

7. Auditors

Auditor General South Africa will continue in office for the next financial period.

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Annual Financial Statements for the year ended June 30, 2019

Statement of Financial Position as at June 30, 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	4	758,010	514,769
Receivables from exchange transactions	6	919,240	908,325
VAT receivable	7	18,436,425	25,653,971
Receivables from non exchange transactions	5	4,627,389	482,949
Cash and cash equivalents	3	9,052,239	19,277,879
		33,793,303	46,837,893
Non-Current Assets			
Investment property	9	209,500	209,500
Property, plant and equipment	10	300,346,388	293,189,015
Intangible assets	8	2,697,117	2,212,986
		303,253,005	295,611,501
Total Assets		337,046,308	342,449,394
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	72,972,250	46,043,352
Unspent conditional grants and receipts	12	42,051	1,723,165
Long Service Awards		138,126	80,894
		73,152,427	47,847,411
Non-Current Liabilities			
Post Employment Medical Aid Benefit	13	3,112,000	2,312,000
Long Service Awards		2,705,874	2,192,106
Provision - Rehabilitation of Landfill Site	35	14,727,795	-
		20,545,669	4,504,106
Total Liabilities		93,698,096	52,351,517
Net Assets		243,348,212	290,097,877
Accumulated surplus		243,348,212	290,097,877

* See Note 43

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Annual Financial Statements for the year ended June 30, 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	36	148,366	149,954
Licenses & Permits		5,812,355	4,943,493
Actuarial Gain	19	-	147,207
Other income	17	771,790	924,880
Interest received - investment	16	3,577,685	7,828,088
Total revenue from exchange transactions		10,310,196	13,993,622
Revenue from non-exchange transactions			
Property rates	18	38,129,250	37,707,750
Interest on outstanding debtors	16	41,910,101	35,900,459
Traffic fines	20	656,200	235,500
Government grants & subsidies	15	331,178,614	322,178,198
Donations received - Landfill Site	21	1,163,457	-
Total revenue from non-exchange transactions		413,037,622	396,021,907
Total revenue	14	423,347,818	410,015,529
Expenditure			
Employee related costs	22	71,313,899	62,121,189
Remuneration and allowances of councillors	23	22,700,369	22,111,974
Administration	24	22,332,252	16,592,828
Depreciation and amortisation	25	27,277,726	25,344,167
Impairment loss	26	1,398,324	-
Finance costs	27	490,103	403,110
Debt Impairment	28	63,533,942	67,657,827
Contracted services	30	43,331,537	40,629,474
Transfers and subsidies	31	4,803,044	4,685,022
Loss on disposal of assets		196,175	13,083
Actuarial Losses		152,067	121,000
Rehabilitation cost - Landfill Site		14,727,795	-
General expenses	33	77,717,672	77,512,117
Auditor's remuneration	34	3,472,677	3,196,316
Capital expenditure written-off (D-roads)	32	63,044,784	115,652,295
Repairs and Maintenance	29	53,605,116	40,809,447
Total expenditure		470,097,482	476,849,849
Deficit for the year		(46,749,664)	(66,834,320)

* See Note 43

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening Accumulated Surplus/(Deficit) at July 1, 2017	356,932,197	356,932,197
Changes in net assets		
Surplus for the year	(66,834,320)	(66,834,320)
Total changes	(66,834,320)	(66,834,320)
Opening Accumulated Surplus/(Deficit) as previously reported	288,130,705	288,130,705
Adjustments		
Prior period error (Interest on outstanding debtors)	1,901,015	1,901,015
Prior Period Error (Bank charges)	46	46
Prior Period error (Assets)	2,127,002	2,127,002
Restated* Opening Accumulated Surplus/(Deficit) at July 1, 2018	290,097,876	290,097,876
Changes in net assets		
Surplus (deficit) for the year	(46,749,664)	(46,749,664)
Total changes	(46,749,664)	(46,749,664)
Balance at June 30, 2019	243,348,212	243,348,212
Note(s)		

* See Note 43

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Annual Financial Statements for the year ended June 30, 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Property rates, VAT and traffic fines		13,017,169	7,265,182
Cash received from consumers and other sources of revenue		6,744,911	6,228,271
Grants		329,497,500	317,790,000
Interest income		3,575,622	8,749,002
		<u>352,835,202</u>	<u>340,032,455</u>
Payments			
Employee costs		(69,562,037)	(61,878,045)
Cash paid to suppliers and other related services		(172,403,278)	(181,275,039)
Finance Costs		(103)	(110)
Capital expenditure written-off (D Roads)		(63,044,784)	(115,652,295)
Councillors' allowances		(22,700,369)	(22,111,974)
		<u>(327,710,571)</u>	<u>(380,917,463)</u>
Net cash flows from operating activities	38	<u>25,124,631</u>	<u>(40,885,008)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(33,560,416)	(24,061,430)
Proceeds from sale of property, plant and equipment	10	152,926	19,851
Purchase of other intangible assets	8	(1,942,781)	-
Net cash flows from investing activities		<u>(35,350,271)</u>	<u>(24,041,579)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(10,225,640)</u>	<u>(64,926,587)</u>
Cash and cash equivalents at the beginning of the year		19,277,879	84,204,466
Cash and cash equivalents at the end of the year	3	<u>9,052,239</u>	<u>19,277,879</u>

* See Note 43

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rental of facilities and equipment	129,675	-	129,675	148,366	18,691
Licenses and permits	5,584,034	400,000	5,984,034	5,812,355	(171,679)
Other income	1,215,457	(60,000)	1,155,457	771,790	(383,667)
Interest received - Investment	10,234,567	(4,930,129)	5,304,438	3,577,685	(1,726,753)
Total revenue from exchange transactions	17,163,733	(4,590,129)	12,573,604	10,310,196	(2,263,408)

Revenue from non-exchange transactions

Taxation revenue

Property rates	37,237,289	891,961	38,129,250	38,129,250	-
Interest earned - Outstanding Debtors	29,342,827	3,299,168	32,641,995	41,910,101	9,268,106
Traffic fines	150,000	400,000	550,000	656,200	106,200

Transfer revenue

Government grants & subsidies	322,304,000	7,000,000	329,304,000	331,178,614	1,874,614
Donations received - Landfill Site	-	-	-	1,163,457	1,163,457

Total revenue from non-exchange transactions	389,034,116	11,591,129	400,625,245	413,037,622	12,412,377
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Total revenue	406,197,849	7,001,000	413,198,849	423,347,818	10,148,969
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Expenditure

Personnel	(81,995,545)	11,274,235	(70,721,310)	(71,313,899)	(592,589)
Remuneration and allowances of councillors	(24,909,098)	-	(24,909,098)	(22,700,369)	2,208,729
Depreciation, impairment and amortisation	(22,197,873)	(4,313,401)	(26,511,274)	(27,277,726)	(766,452)
Impairment loss/ Reversal of impairments	-	-	-	(1,398,324)	(1,398,324)
Finance costs	-	-	-	(490,103)	(490,103)
Debt impairment	(29,342,827)	-	(29,342,827)	(63,533,942)	(34,191,115)
Repairs and maintenance	(51,021,739)	(23,039,130)	(74,060,869)	(53,605,116)	20,455,753
Contracted Services	(44,177,491)	(11,396,302)	(55,573,793)	(43,331,537)	12,242,256
Transfers and Subsidies	(4,200,000)	-	(4,200,000)	(4,803,044)	(603,044)
General Expenses	(60,554,972)	(1,363,557)	(61,918,529)	(166,567,385)	(104,648,856)

Total expenditure	(318,399,545)	(28,838,155)	(347,237,700)	(455,021,445)	(107,783,745)
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Operating deficit	87,798,304	(21,837,155)	65,961,149	(31,673,627)	(97,634,776)
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Loss on disposal of assets and liabilities	-	-	-	(196,175)	(196,175)
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Actuarial gains/losses	-	-	-	(152,067)	(152,067)
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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Rehabilitation cost - Landfill Site	-	-	-	(14,727,795)	(14,727,795)	
	-	-	-	(15,076,037)	(15,076,037)	
Deficit before taxation	87,798,304	(21,837,155)	65,961,149	(46,749,664)	(112,710,813)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	87,798,304	(21,837,155)	65,961,149	(46,749,664)	(112,710,813)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	505,000	-	505,000	758,010	253,010	
Receivables from exchange transactions	845,000	-	845,000	919,240	74,240	
VAT receivable	9,003,936	-	9,003,936	18,436,425	9,432,489	
Receivables from non exchange transactions	52,843,741	(30,000,000)	22,843,741	4,627,389	(18,216,352)	
Cash and cash equivalents	22,840,941	15,912,206	38,753,147	9,052,239	(29,700,908)	
	86,038,618	(14,087,794)	71,950,824	33,793,303	(38,157,521)	
Non-Current Assets						
Investment property	1,251,500	-	1,251,500	209,500	(1,042,000)	
Property, plant and equipment	383,670,557	(61,659,612)	322,010,945	300,346,388	(21,664,557)	
Intangible assets	1,300,000	-	1,300,000	2,697,117	1,397,117	
	386,222,057	(61,659,612)	324,562,445	303,253,005	(21,309,440)	
Total Assets	472,260,675	(75,747,406)	396,513,269	337,046,308	(59,466,961)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	17,726,203	-	17,726,203	72,972,250	55,246,047	
Unspent conditional grants and receipts	-	-	-	42,051	42,051	
Long Service Awards	-	-	-	138,126	138,126	
	17,726,203	-	17,726,203	73,152,427	55,426,224	
Non-Current Liabilities						
Post Employment Medical Aid Benefit	2,184,418	-	2,184,418	3,112,000	927,582	
Long Service Awards	2,432,000	-	2,432,000	2,705,874	273,874	
Provision - Rehabilitation of Landfill Site	-	-	-	14,727,795	14,727,795	
	4,616,418	-	4,616,418	20,545,669	15,929,251	
Total Liabilities	22,342,621	-	22,342,621	93,698,096	71,355,475	
Net Assets	449,918,054	(75,747,406)	374,170,648	243,348,212	(130,822,436)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	449,918,054	(75,747,406)	374,170,648	243,348,212	(130,822,436)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rate payers and other	6,749,051	6,196,411	12,945,462	13,017,169	71,707	
Government grants - Operational	256,837,000	-	256,837,000	256,497,500	(339,500)	
Government grants - Capital	66,000,000	7,000,000	73,000,000	73,000,000	-	
Interest income	10,234,567	(4,930,129)	5,304,438	3,575,622	(1,728,816)	
Other receipts	29,017,520	33,857,419	62,874,939	6,744,911	(56,130,028)	
	368,838,138	42,123,701	410,961,839	352,835,202	(58,126,637)	
Payments						
Employee costs	(58,787,456)	(7,682,216)	(66,469,672)	(69,562,037)	(3,092,365)	
Cash paid to suppliers and other related services	(174,234,087)	(6,537,457)	(180,771,544)	(172,403,278)	8,368,266	
Finance Costs	-	-	-	(103)	(103)	
Capital expenditure written-off (D Roads)	-	-	-	(63,044,784)	(63,044,784)	
Councilor Allowances	(24,909,098)	-	(24,909,098)	(22,700,369)	2,208,729	
	(257,930,641)	(14,219,673)	(272,150,314)	(327,710,571)	(55,560,257)	
Net cash flows from operating activities	110,907,497	27,904,028	138,811,525	25,124,631	(113,686,894)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(119,729,000)	442,743	(119,286,257)	(33,560,416)	85,725,841	
Proceeds from sale of property, plant and equipment	-	-	-	152,926	152,926	
Purchase of other intangible assets	-	-	-	(1,942,781)	(1,942,781)	
Net cash flows from investing activities	(119,729,000)	442,743	(119,286,257)	(35,350,271)	83,935,986	
Net increase/(decrease) in cash and cash equivalents	(8,821,503)	28,346,771	19,525,268	(10,225,640)	(29,750,908)	
Cash and cash equivalents at the beginning of the year	19,227,879	-	19,227,879	19,277,879	50,000	
Cash and cash equivalents at the end of the year	10,406,376	28,346,771	38,753,147	9,052,239	(29,700,908)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Variances for material variances (above 10%)

Statement of financial performance (revenue) variances;

Interest Received - Outstanding Debtors: The high bill for interests is due to non payment of property rate accounts by government departments and local businesses. The outstanding debts for government are handled by the department of CoGHSTA in collaboration with COGTA through the Intergovernmental Debt Forum. The municipality has appointed a debt collector to assist the municipality with collections on the long outstanding property rate debts for local businesses and has further written a letter requesting intervention from the National Treasury in terms of the provisions of the MFMA for dispute resolutions amongst government institutions.

Government Grants and Subsidies: The unspent conditional grant is for the Discretionary Grant received from LG SETA for the 2018/19 financial year, for learners appointed by the LG SETA and allocated to Makhuduthamaga for internship programme.

Statement of financial performance (Expenditure) Variances;

Employee Related Costs: The overspending on employee related costs results from the accrual of leave days which was more than budgeted as most employees did not take leave during the 2018/19 financial year.

Statement of Financial Position(Assets) Variances;

Receivables from Non-exchange Transactions: Collection on both property rates and traffic fines was very poor for the 2018/19 financial year.

Cash and Cash Equivalents: The municipality's overall expenditure is 93% for the 2018/19 total budget which has shows an improvement in spending on the budgeted projects, the results of which was a reduction in the cash balances as at 30 June 2019.

Statement of financial position(Liabilities) Variances;

Rate payers and Other: The municipality did not manage to collect more on property rate debts, however there was a significant improvement in the collection rate of the outstanding debtors on property rates during the 2018/19 financial year.

Employee Related Costs: Not all vacant positions were filled as budgeted for during the 2018/19 financial year.

Suppliers;

Purchase of Intangible Assets: The municipality did acquire a new software during the financial year and was budgeted for under PPE.

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the council MFMA)	Final budget approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019										
Financial Performance										
Property rates	66,580,116	4,191,129	70,771,245	-	-	38,129,250	-	(32,641,995)	54 %	57 %
Investment revenue	10,234,567	(4,930,129)	5,304,438	-	-	45,487,786	-	40,183,348	858 %	444 %
Transfers recognised - operational	256,837,000	-	256,837,000	-	-	331,178,614	-	74,341,614	129 %	129 %
Other own revenue	6,546,165	740,000	7,286,165	-	-	8,552,168	-	1,266,003	117 %	131 %
Total revenue (excluding capital transfers and contributions)	340,197,848	1,000	340,198,848	-	-	423,347,818	-	83,148,970	124 %	124 %
Employee costs	(81,995,545)	11,274,235	(70,721,310)	-	-	(71,313,899)	-	(592,589)	101 %	87 %
Remuneration of councillors	(24,909,098)	-	(24,909,098)	-	-	(22,700,369)	-	2,208,729	91 %	91 %
Debt impairment	(29,342,827)	-	(29,342,827)	-	-	(63,533,942)	-	(34,191,115)	217 %	217 %
Depreciation and asset impairment	(22,197,873)	(4,313,401)	(26,511,274)	-	-	(28,676,050)	-	(2,164,776)	108 %	129 %
Finance charges	-	-	-	-	-	(490,103)	-	(490,103)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(95,199,230)	(34,435,432)	(129,634,662)	-	-	-	-	129,634,662	- %	- %
Transfers and grants	(4,200,000)	-	(4,200,000)	-	-	(4,803,044)	-	(603,044)	114 %	114 %
Other expenditure	(60,554,972)	(1,363,557)	(61,918,529)	-	-	(278,580,075)	-	(216,661,546)	450 %	460 %
Total expenditure	(318,399,545)	(28,838,155)	(347,237,700)	-	-	(470,097,482)	-	(122,859,782)	135 %	148 %
Surplus/(Deficit)	21,798,303	(28,837,155)	(7,038,852)	-	-	(46,749,664)	-	(39,710,812)	664 %	(214)%

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the council approved policy)	Final budget	Actual outcome as % of final budget	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	66,000,000	7,000,000	73,000,000	-	73,000,000	-	-	(73,000,000)	-	-
Surplus (Deficit) after capital transfers and contributions	87,798,303	(21,837,155)	65,961,148	-	65,961,148	(46,749,664)	-	(112,710,812)	(71)%	(53)%
Surplus/(Deficit) for the year	87,798,303	(21,837,155)	65,961,148	-	65,961,148	(46,749,664)	-	(112,710,812)	(71)%	(53)%
Capital expenditure and funds sources										
Total capital expenditure	(104,112,174)	(11,850,435)	(115,962,609)	-	(115,962,609)	(107,385,028)	-	8,577,581	93	103
Sources of capital funds										
Transfers recognised - capital	(104,112,174)	(11,850,435)	(115,962,609)	-	(115,962,609)	(107,385,028)	-	8,577,581	93	103

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the MFMA)	Final budget (i.t.o. approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows										
Net cash from (used) operating	110,907,497	27,904,028	138,811,525	-	138,811,525	25,124,631		(113,686,894)	18 %	23 %
Net cash from (used) investing	(119,729,000)	442,743	(119,286,257)	-	(119,286,257)	(35,350,271)		83,935,986	30 %	30 %
Net increase/(decrease) in cash and cash equivalents	(8,821,503)	28,346,771	19,525,268	-	19,525,268	(10,225,640)		(29,750,908)	(52)%	116 %
Cash and cash equivalents at the beginning of the year	19,227,879	-	19,227,879	-	19,227,879	19,277,879		50,000	100 %	100 %
Cash and cash equivalents at year end	10,406,376	28,346,771	38,753,147	-	38,753,147	9,052,239		29,700,908	23 %	87 %

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its trade receivables, for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a receivable.

The impairment for trade receivables, is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to receivable balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

In determining the allowance for stock to write stock down to the lower of cost or net realisable value, management have made estimates of the selling price and direct cost to sell on certain inventory items, where applicable.

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable (services) amount of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair value less cost to sell. The calculations require the use of estimates and assumptions.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flow of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest:

Value in use of non cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement benefits obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality used the prime interest rate plus 1% to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or

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Accounting Policies

1.4 Investment property (continued)

- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

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Annual Financial Statements for the year ended June 30, 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	25 Years
Plant and machinery	Straight line	5-10 Years
Furniture and fixtures	Straight line	7 Years
Motor vehicles	Straight line	8 Years
Office equipment	Straight line	5 Years
IT equipment	Straight line	3-5 Years
Loose tools	Straight line	5 Years
Bridges	Straight line	15 Years
Prefabricated culverts	Straight line	15 Years
Concrete kerbing, channeling, chutes and downpipes	Straight line	40 Years
Mass earthworks	Straight line	80 Years
Pavement layers	Straight line	15 Years
Prime coat	Straight line	15 years
Double seal	Straight line	15 Years

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Accounting Policies

1.5 Property, plant and equipment (continued)

Pitching, Stonework and protection	Straight line	15 Years
Gabions	Straight line	25 Years
Guardrails	Straight line	25 Years
Road signs	Straight line	15 Years
Road markings	Straight line	12 months
Concrete block paving for roads	Straight line	15 Years
Concrete for structures	Straight line	15 Years
Street lighting	Straight line	15 Years
High mast lights	Straight line	15 Years
Capital Work In Progress	Straight line	Not depreciated
Asphalt surface	Straight line	15 Years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the statement of changes in equity.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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Accounting Policies

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value).

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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1.8 Financial Instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

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1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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1.12 Impairment of non-cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.14 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.16 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments
- Where the expenditure has been approved and the contract has been awarded at the reporting date, and
- Where disclosure is required by a specific standard of GRAP.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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1.17 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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1.18 Revenue from non-exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

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1.18 Revenue from non-exchange transactions (continued)

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the statement of changes in equity recognises revenue as and when it satisfies the conditions of the loan agreement.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.22 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget.
- overspending of the total amount appropriated for a vote in the approved budget.
- expenditure from a vote unrelated to the department or functional area covered by the vote.
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or.
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

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Accounting Policies

1.24 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Budget information

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2017 to 6/30/2020.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after reporting date

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Accounting Policies

1.27 Events after reporting date (continued)

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and :

those that are indicative of conditions that arose after the reporting date (non - adjusting events after the reporting date);

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

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Figures in Rand

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	April 1, 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	April 1, 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	April 1, 2019	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2019	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	April 1, 2019	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	April 1, 2019	Unlikely there will be a material impact
• GRAP 104 (revised): Financial Instruments	April 1, 2019	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	April 1, 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	April 1, 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	April 1, 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	April 1, 2020	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	April 1, 2019	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	April 1, 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 1, 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	April 1, 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	April 1, 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	April 1, 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	April 1, 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	April 1, 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	April 1, 2019	Unlikely there will be a material impact

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2. New standards and interpretations (continued)

• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	April 1, 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	April 1, 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	April 1, 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	April 1, 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	April 1, 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 1, 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	April 1, 2019	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,430	156
Bank balances	9,050,809	19,277,723
	9,052,239	19,277,879

Short-term Investments

The municipality held the following short-term investments with different financial institutions during the 2018/19 financial year, all investments had zero balances as at the 30th of June 2019 as they all have matured and the capital amounts invested and their interest have all been paid back to the municipality by the 30th of June 2019.

Financial Institutions

ABSA (Acc No. 2077091612)	-	30,000,000
ABSA 2017/18 (Acc No. 2077213753)	-	50,000,000
ABSA 2017/18 (Acc No. 2077440897)	-	60,000,000
VBS Bank 2017/18 (Acc No. 010088585002)	-	30,000,000
VBS Bank (Acc No. 010088585001)	-	30,000,000
ABSA 2018/2019 (Acc No. 2077662190)	50,000,000	-
	50,000,000	200,000,000

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
ABSA BANK - 4050384145 - (Primary Cheque Account)	8,244,393	19,558,557	-	8,244,393
ABSA BANK - 4069702429 - (Call Account)	68,213	66,544	-	68,213
ABSA BANK - 4076690079 - (Salaries)	999	5,000	-	999
ABSA BANK - 2078073033 Term Deposit Investment	737,204	-	-	737,204
ABSA BANK - 2077662190 Investment Account	-	-	-	-
Total	9,050,809	19,630,101	-	9,050,809

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Figures in Rand	2019	2018
4. Inventories		
Consumable stores	758,010	514,769
	758,010	514,769
4.1 Reconciliation of Inventory		
Opening Balance	514,769	538,808
Add: Receipts	3,070,968	3,921,714
Less: Issues	(2,827,727)	(3,945,753)
	758,010	514,769
5. Receivables from non-exchange transactions		
Gross balances		
Rates	402,592,771	364,245,723
Traffic fines	1,670,000	1,041,600
	404,262,771	365,287,323
Less: Allowance for impairment		
Rates	(398,212,357)	(363,964,254)
Traffic Fines	(1,423,025)	(840,120)
	(399,635,382)	(364,804,374)
*		
Rates	4,380,414	281,469
Traffic Fines	246,975	201,480
	4,627,389	482,949

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5. Receivables from non-exchange transactions (continued)		
Summary of receivables from non-exchange transactions by customer classification		
Traffic fines		
Current (0 - 30 days)	47,150	-
31 - 60 days	36,300	40,500
61 - 90 days	41,600	-
91 - 120 days	56,400	19,750
121 - 365 days	1,488,550	981,350
	<u>1,670,000</u>	<u>1,041,600</u>
Less: Allowance for impairment	(1,423,025)	(840,120)
	<u>246,975</u>	<u>201,480</u>
Industrial/ commercial		
Current (0 - 30 days)	1,866,970	1,357,077
31 - 60 days	766,481	1,403,527
61 - 90 days	369,058	1,342,069
91 - 120 days	1,176,532	2,448,213
121 - 365 days	36,189,212	55,939,560
	<u>40,368,253</u>	<u>62,490,446</u>
Less: Allowance for impairment	(38,861,618)	(62,490,446)
	<u>1,506,635</u>	<u>-</u>
National and provincial government		
Current (0 - 30 days)	11,179,111	4,970,726
31 - 60 days	5,355,555	5,101,405
61 - 90 days	3,123,120	4,889,024
91 - 120 days	7,207,243	8,720,411
121 - 365 days	335,359,489	278,073,711
	<u>362,224,518</u>	<u>301,755,277</u>
Less: Allowance for impairment	(359,350,739)	(301,473,808)
	<u>2,873,779</u>	<u>281,469</u>
Total		
Current (0 - 30 days)	13,093,231	6,327,803
31 - 60 days	6,158,336	6,271,593
61 - 90 days	3,533,778	6,504,932
91 - 120 days	8,440,175	11,188,374
121 - 365 days	373,037,251	334,994,987
	<u>404,262,771</u>	<u>365,287,689</u>
Less: Allowance for impairment	(399,635,382)	(364,804,740)
	<u>4,627,389</u>	<u>482,949</u>
Less: Allowance for impairment		
Current (0 - 30 days)	(8,810,000)	(5,844,854)
31 - 60 days	(6,158,336)	(6,271,593)
61 - 90 days	(3,533,778)	(6,504,932)
91 - 120 days	(8,440,175)	(11,188,374)
121 - 365 days	(372,693,093)	(334,994,621)

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Figures in Rand	2019	2018
5. Receivables from non-exchange transactions (continued)		
	(399,635,382)	(364,804,374)

Reconciliation of allowance for impairment

Balance at beginning of the year	(364,804,374)	(298,145,767)
Contributions to allowance	(62,167,571)	(67,657,827)
Debt impairment written off against allowance	27,336,563	999,220
	(399,635,382)	(364,804,374)

Receivables from non - exchange transactions impaired

As of June 30, 2019, receivables from non-exchange transactions of R 399 635 382 (2018: R 364 804 374) were impaired and provided for.

6. Receivables from exchange transactions

Accrued Income (Interest on investment)	121,049	118,986
Other debtors	-	12,400
SALGA Levy & SAMEPA	798,191	776,939
	919,240	908,325

7. VAT receivable

VAT	18,436,425	25,653,971
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VAT is payable on invoice basis and claimed from SARS when a tax invoice is received

Reconciliation

Balance at the beginning of the year	25,653,971	29,960,670
Add: Net Refunds as per VAT receivable	34,993,534	34,483,340
Add: Current year VAT suspense - Retention amount	5,315,641	5,426,083
Less: Prior year suspense - Retention amount	(5,426,083)	(4,667,497)
Less: VAT Payments by SARS - Current year	(31,992,868)	(24,110,424)
Less: VAT payments by SARS - Previous year	(10,372,912)	(14,871,244)
Adjustments	265,142	(566,957)
	18,436,425	25,653,971

8. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	7,821,470	(5,124,353)	2,697,117	4,843,689	(3,665,703)	1,177,986
GIS Software - WIP	-	-	-	1,035,000	-	1,035,000
Total	7,821,470	(5,124,353)	2,697,117	5,878,689	(3,665,703)	2,212,986

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Figures in Rand	2019	2018
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8. Intangible assets (continued)

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	1,177,986	1,942,781	1,035,000	(1,458,650)	2,697,117
GIS Software - WIP	1,035,000	-	(1,035,000)	-	-
	2,212,986	1,942,781	-	(1,458,650)	2,697,117

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	2,119,200	(941,214)	1,177,986
GIS Software - WIP	1,035,000	-	1,035,000
	3,154,200	(941,214)	2,212,986

Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

No intangible assets were pledged as security for liabilities

9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	209,500	-	209,500	209,500	-	209,500

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	209,500	209,500

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	209,500	209,500

Details of valuation

Investment property was valued by Landdata Valuations (pty) Ltd an independent professional valuer with registration number 1988/001677/07. The Municipal Valuer has experience of properties within the jurisdiction of Makhuduthamaga Local Municipality. The valuation was based on an open market value for existing use:

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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9. Investment property (continued)

Details of property

A register containing the information required by section 53 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. No revenue was earned from the investment property as the property is vacant land held for long term capital appreciation.

No investment property was pledged as security for liabilities.

10. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	235,000	-	235,000	235,000	-	235,000
Buildings	43,292,701	(11,130,685)	32,162,016	41,060,160	(9,372,153)	31,688,007
Furniture and fixtures	4,859,262	(3,241,786)	1,617,476	4,441,773	(2,806,061)	1,635,712
Motor vehicles	34,874,686	(16,740,148)	18,134,538	32,234,707	(12,918,932)	19,315,775
Office equipment	2,566,465	(1,654,133)	912,332	1,632,133	(1,390,040)	242,093
IT equipment	18,738,717	(11,299,245)	7,439,472	16,974,914	(8,461,584)	8,513,330
Infrastructure	300,285,911	(92,289,503)	207,996,408	282,883,155	(75,057,084)	207,826,071
Loose tools	3,106,743	(2,416,862)	689,881	3,105,742	(2,050,196)	1,055,546
Community Halls	5,412,521	(1,805,787)	3,606,734	5,412,521	(1,628,814)	3,783,707
Capital work in progress	27,552,531	-	27,552,531	18,893,774	-	18,893,774
Total	440,924,537	(140,578,149)	300,346,388	406,873,879	(113,684,864)	293,189,015

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Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals - Cost	Donations received	Transfers	Impairment loss	Disposals - Accumulated depreciation	Depreciation	Total
Land	235,000	-	-	-	-	-	-	-	235,000
Buildings	31,688,007	-	-	1,162,456	1,070,085	-	-	(1,758,532)	32,162,016
Furniture and fixtures	1,635,712	417,489	-	-	-	-	-	(435,725)	1,617,476
Motor vehicles	19,315,775	3,295,480	(655,500)	-	-	-	306,397	(4,127,614)	18,134,538
Office equipment	242,093	934,331	-	-	-	-	-	(264,092)	912,332
IT equipment	8,513,330	1,217,843	-	-	545,960	-	-	(2,837,661)	7,439,472
Infrastructure	207,826,071	-	-	-	17,420,471	(1,398,324)	-	(15,851,810)	207,996,408
Loose tools	1,055,546	-	-	1,002	-	-	-	(366,667)	689,881
Community Assets	3,783,707	-	-	-	-	-	-	(176,973)	3,606,734
Capital work in progress	18,893,774	27,695,273	-	-	(19,036,516)	-	-	-	27,552,531
	293,189,015	33,560,416	(655,500)	1,163,458	-	(1,398,324)	306,397	(25,819,074)	300,346,388

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Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Prior year depreciation adjustments	Depreciation	Impairment loss	Total
Land	235,000	-	-	-	-	-	-	-	235,000
Buildings	33,907,152	-	-	(680,083)	-	-	(1,708,467)	169,405	31,688,007
Furniture and fixtures	1,252,208	770,132	-	-	-	-	(386,628)	-	1,635,712
Motor vehicles	19,795,831	3,541,481	-	-	-	(38,896)	(3,982,641)	-	19,315,775
Office equipment	369,052	12,985	-	-	-	-	(139,944)	-	242,093
IT equipment	5,569,640	5,720,937	(51,600)	-	18,669	(99,006)	(2,645,310)	-	8,513,330
Infrastructure	193,535,835	-	-	29,047,638	-	(2,104,414)	(12,652,988)	-	207,826,071
Loose tools	1,215,283	268,076	-	-	-	-	(427,813)	-	1,055,546
Community Assets	3,489,877	-	-	680,083	-	-	(216,848)	(169,405)	3,783,707
Capital work in progress	34,193,593	17,099,167	-	(32,398,986)	-	-	-	-	18,893,774
	293,563,471	27,412,778	(51,600)	(3,351,348)	18,669	(2,242,316)	(22,160,639)	-	293,189,015

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

No property, plant and equipment were pledged as security for liabilities.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
11. Payables from exchange transactions		
Trade payables	34,013,420	5,356,310
Income received in advance	626,548	591,907
Creditor: Ward committee	13,201	13,201
Leave provision	5,769,466	4,746,537
Bonus provision	2,465,652	2,269,027
Unknown deposits	800	205,333
Retentions	30,083,163	32,861,037
	72,972,250	46,043,352

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

LG SETA Discretionary Grant	42,051	-
DOE Grant (INEG)	-	1,723,165
	42,051	1,723,165

Movement during the year

Balance at the beginning of the year	1,723,165	6,111,363
Amounts paid back to National Treasury	-	(102,473)
Income recognition during the year	(1,723,165)	(6,008,890)
Roll Over current year	42,051	1,723,165
	42,051	1,723,165

The municipality received an allocation of R 12 012 000 from Integrated National Electrification Grant in 2018/19 and managed to spend 100% of the allocation. The roll-over amount of R 1 723 165 for the prior year was spent 100% during the 2018/19 financial year.

The municipality did also receive an amount of R 193 500 from LG SETA for the learnership programme run on behalf of LG SETA by the municipality and R 42 051 of the amount wasn't spent as at the 30th of June 2019, the unspent amount was reported as an unspent conditional grant at the end of the year.

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a liability in the statement of financial position.

See note 15 for reconciliation of conditional grants

13. Defined benefit obligation

Post Employment Medical Aid Benefits liability

Post-employment Medical Aid Benefits	3,112,000	2,312,000
	3,112,000	2,312,000

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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13. Defined benefit obligation (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2,312,000	1,694,000
Current service cost	490,000	309,000
Interest cost	254,000	188,000
Actuarial gain/Loss	56,000	121,000
	3,112,000	2,312,000

Net expense recognised in the statement of financial performance

Current service cost	490,000	309,000
Interest cost	254,000	188,000
Actuarial (gains) losses	56,000	121,000
	800,000	618,000

Key assumptions used

Assumptions used at the reporting date:

	2019	2018
Expected retirement age	63	63

The nominal and real zero curves were used as at 30 June 2019 supplied by the JSE to determine the discounted rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we used the prevailing yield at the time of performing our calculations. The methodology has changed from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years;

*The net effective discount rate is different for each relevant time period of the yield curves's various durations and therefore the net effective discount rate is based on the relationship between the yield curve based discount rate for each relevant time period and the yield curve based salary inflation for each relevant time period.

The Medical aid inflation rate was set with reference to the past relationship between the yield curve based and discount rate for each relevant time period and the yield curve based medical aid contribution inflation for each relevant time period.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018		
13. Defined benefit obligation (continued)				
Long service awards				
Analysis of long service awards obligation				
Long Service Awards Liability				
Long service awards - current liability	138,126	80,894		
Long service awards - Non-current liability	2,705,874	2,192,106		
	2,844,000	2,273,000		
Movements in the long service awards liability				
Opening balance	2,273,000	2,015,000		
Current service cost	325,000	294,000		
Interest cost	236,000	215,000		
Benefits paid	(86,067)	(103,793)		
Actuarial Gain/Loss	96,067	(147,207)		
	2,844,000	2,273,000		
Expense and income recognition in surplus for the year.				
Current service cost	325,000	294,000		
Interest cost	236,000	215,000		
Actuarial Gain/Loss	96,067	(147,207)		
	657,067	361,793		
Key assumptions used - Long service awards				
Long service benefits are awarded in a form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefits:				
Average retirement age	2019	2018		
Expected retirement age	63	63		
Other assumptions				
A one percentage point change in the normal salary inflation assumption would have the following effect:				
	-1% Normal salary inflation	+1% Normal salary inflation		
Effect on the current service cost	334,000	294,000		
Effect on the interest cost	272,000	216,000		
Effect on defined benefit obligation	2,616,000	2,590,000		
	3,222,000	3,100,000		
Amounts for the current and previous years are as follows				
Long service awards	2019	2018	2017	2016
	2,844,000	2,273,000	2,015,000	1,737,000

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
14. Revenue		
Rental of facilities and equipment	148,366	149,954
Licences and permits	5,812,355	4,943,493
Actuarial gain	-	147,207
Other income	771,790	924,880
Interest received	45,487,786	43,728,547
Property rates	38,129,250	37,707,750
Traffic fines	656,200	235,500
Government grants & subsidies	331,178,614	322,178,198
Donations received - Landfill Site	1,163,457	-
	423,347,818	410,015,529

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities and equipment	148,366	149,954
Licences and permits	5,812,355	4,943,493
Actuarial gain	-	147,207
Other income	771,790	924,880
Interests earned on Bank & Investment accounts	3,577,685	7,828,088
	10,310,196	13,993,622

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	38,129,250	37,707,750
Interest on outstanding debtors	41,910,101	35,900,459
Traffic fines	656,200	235,500
Transfer revenue		
Transfers and subsidies	331,178,614	322,178,198
Donations received - Landfill Site	1,163,457	-
	413,037,622	396,021,907

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Figures in Rand

	2019	2018
15. Government grants and subsidies		
Equitable share		
Municipal Infrastructure Grant (MIG)	241,518,000	233,388,473
Finance Management Grant (FMG)	73,000,000	74,654,890
Integrated National Electrification Grant	1,770,000	1,700,000
EPWP Grant	13,735,165	11,276,835
LG SETA - Discretionary Grant	1,004,000	1,158,000
	151,449	-
	331,178,614	322,178,198

Conditional and Unconditional

Included in above are the following conditional grants and subsidies received:

Finance Management Grant

Current-year receipts	1,770,000	1,700,000
Conditions met - transferred to revenue	(1,770,000)	(1,700,000)
	-	-

All conditions as per the DoRA were met and the grant was transferred to Revenue.

The Financial Management Grant was spend under Budget and Treasury vote for Financial management interns programme, Financial management systems maintenance and training of Budget abd Treasury officials.

Municipal Infrastructure Grant

Current-year receipts	73,000,000	74,654,890
Conditions met - transferred to revenue	(73,000,000)	(74,654,890)
	-	-

All conditions as per DoRA were met and the grant was transferred to Revenue.

The Municipal Infrastructure Grant was used to fund construction of access roads approved by Cogta and municipal council under the Infrastructure Development vote.

Integrated National Electricity Grant

Balance unspent at beginning of year	1,723,165	102,473
Current-year receipts	12,012,000	13,000,000
Conditions met - transferred to revenue	(13,735,165)	(11,276,835)
Amount paid back to National Treasury	-	(102,473)
	-	1,723,165

All conditions as per the DoRA were met and revenue tranferred to revenue.

The grant was used to develop electricity infrastructure in various villages of the municipality and was used under Infrastructure Development vote.

EPWP grant

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Notes to the Annual Financial Statements

Figures in Rand

	2019	2018
15. Government grants and subsidies (continued)		
Current-year receipts		
Conditions met - transferred to revenue	1,004,000 (1,004,000)	1,158,000 (1,158,000)
	-	-

All conditions as per the DoRA were met and revenue transferred to revenue.

The grant was used to develop job opportunities for community members in various fields and was used under Infrastructure vote and the Community Services vote.

LG SETA

Current-year receipts	193,500	-
Conditions met - transferred to revenue	(151,449)	-
	42,051	-

Conditions still to be met - remain liabilities.

The municipality did receive an amount of R 193 500 from LG SETA for the learnership programme run on its behalf by the municipality and R 42 051 of the total amount received was not spent as at the 30th of June 2019.

16. Interest received

Interest revenue		
Bank and investments	3,577,685	7,828,088
Interest charged on trade and other receivables	41,910,101	35,900,459
	45,487,786	43,728,547

17. Other income

LG SETA & SAMEPA		
Tender Documents	211,397	113,929
	560,393	810,951
	771,790	924,880

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Figures in Rand	2019	2018
18. Property rates		
Rates received		
Commercial	9,708,750	9,366,750
State	26,244,825	26,165,325
Agricultural	2,175,675	2,175,675
	38,129,250	37,707,750
Valuations		
Residential	22,640,000	22,640,000
Commercial	711,781,000	683,781,000
State	2,014,632,000	2,009,332,000
Municipal	29,739,861	28,730,000
Social	29,023,000	29,023,000
	2,807,815,861	2,773,506,000
<p>Valuations on land and buildings are performed every 5 years. The first general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>The valuation used in the current year was implemented from 01 July 2016 and it ends on the 30th of June 2021.</p> <p>The municipality is currently compiling a new valuation roll to be implemented from the 1st of July 2021.</p>		
19. Actuarial gain/ (Loss)		
Long service awards - Actuarial Gain/(Loss)	(96,067)	147,207
Post employment medical aid - Actuarial gain/(Loss)	(56,000)	(121,000)
	(152,067)	26,207
20. Traffic fines		
Traffic fines	656,200	235,500
21. Donations received - Landfill Site		
Donations received	1,163,457	-

The Sekhukhune District municipality's council through a council resolution, transferred the ownership of the Land fill site situated under Makhuduthamaga municipality to the municipality during the current financial year. The municipality used the audited carrying values obtained from the SDM to capitalise the asset in to the municipality's asset register for the year ended 30 June 2019.

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Figures in Rand	2019	2018
22. Employee related costs		
Basic	39,043,246	34,135,183
Bonus	3,125,037	2,720,443
Medical aid - company contributions	3,998,238	3,405,309
UIF	34,168	193,377
SDL	573,614	471,251
Leave pay provision charge	1,480,881	1,360,175
Pension contribution	7,259,692	6,236,899
Overtime payments	960,238	533,557
Post employment benefits costs	825,439	603,000
Car allowance	9,552,294	8,379,856
Housing benefits and allowances	2,557,943	2,598,010
Bargaining Council	267,561	103,986
Clothing allowance	39,849	9,416
Cellphone allowance	1,595,699	1,370,727
	71,313,899	62,121,189

Remuneration of municipal manager (Ms Rampedi M.N)

Annual Remuneration	623,105	-
Travel Allowance	247,864	-
Medical aid contributions	83,131	-
UIF contributions	1,785	-
SALGBE	105	-
SDL	10,188	-
Retirement annuity contributions	72,696	-
Remote allowance	41,540	-
	1,080,414	-

The municipal manager was appointed on the 1st of July 2018.

Chief Financial Officer (Mr Moganedi R.M)

Basic salary	514,543	521,102
Travel allowance	171,430	173,589
Cellphone allowance	29,873	30,045
Housing allowance	63,329	69,279
Travel claims	8,861	23,833
Contributions to medical aid	69,172	58,116
Contributions to UIF	1,784	1,784
SDL	7,503	7,787
SALGBE	105	99
Remote allowance	34,303	-
	900,903	885,634

Senior manager: Corporate services (Ms Mahlare M.A)

Basic salary	514,543	-
Travel allowance	214,193	-
Medical aid contributions	119,663	-
UIF	1,785	-
SALGBE	105	-

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
22. Employee related costs (continued)		
SDL	7,490	-
Travel claims	34,533	-
Remote	34,302	-
Acting allowance	-	96,054
	926,614	96,054

Senior manager: Community services (Ms Marishane M.E)

Basic salary	514,543	40,682
Travel allowance	189,158	14,956
Cellphone allowance	25,300	2,000
Housing allowance	64,422	5,007
Travel claims	-	2,712
Pension contributions	55,149	4,360
UIF	1,784	149
SALGBE	105	8
SDL	7,430	584
Remote allowance	34,302	-
Acting allowance	-	59,956
	892,193	130,414

Ms Marishane M.E did act as a senior manager for the community services department from August 2017 to October 2017 and her acting period was extended from December 2017 to February 2018 and acting allowance was paid for the six months indicated. The senior manager was appointed on the 1st of March 2018.

Senior manager: Infrastructure development (Ms Komape S.M 01 July 2018 - 30 September 2018)

Basic salary	153,730	666,152
Travel allowance	50,142	217,278
Housing allowance	24,783	107,198
Contributions to medical aid scheme	24,783	107,198
UIF	595	1,785
SALGBE	26	99
SDL	4,037	10,544
Leave payout	160,427	-
	418,523	1,110,254

The former senior manager for the department of infrastructure development Ms Komape S.M has resigned from the municipality by the 30th of September 2018. The position for the senior manager infrastructure development remained vacant till the 31st of May 2019.

Senior Manager: Infrastructure Development (Mr Segale M.A)

Basic salary	42,879	-
Travel allowance	15,566	-
Cellphone allowance	1,467	-
Medical contribution	10,720	-
UIF	149	-

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
22. Employee related costs (continued)		
SALGBE	8	-
SDL	625	-
Remote allowance	2,859	-
Acting allowance: Mr Segale M.A	114,281	14,412
	188,554	14,412

Mr Segale M.A was appointed senior manager for the department of Infrastructure Development as from the 1st of June 2019. He also acted as the senior manager for the department of Economic Development & Planning and the department for the Infrastructure Development during the current financial year, and the acting allowances were paid for the period of acting.

Senior manager Economic Development and Planning (Mr Thabela A.P)

Basic salary	248,031	-
Travel allowance	64,318	-
Cellphone allowance	9,210	-
Pension contribution	56,600	-
Medical aid contribution	36,191	-
UIF	892	-
SALGBE	53	-
SDL	4,214	-
Travel claim	10,009	-
Remote allowance	17,151	-
	446,669	-

Mr Thabela A.P was appointed senior manager for the department of Economic Development and Planning with effect from the 1st of January 2019.

Acting Municipal Manager (Mr Moganedi R.M)

Acting allowance	-	42,917
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Mr. Moganedi R.M acted as Municipal manager for the period starting 01 February 2018 to 30 June 2018 and acting allowance was paid for the period of acting.

Senior Manager Corporate Services (Mr Matlala M.K)

Basic salary	-	388,591
Travel allowance	-	161,910
Cellphone allowance	-	24,946
Housing allowance	-	64,956
UIF	-	1,198
SALGBE	-	50
Leave payment	-	188,507
SDL	-	7,965
Travel claims	-	7,986
	-	846,109

The 5 years contract of the senior manager for Corporate Services Mr. Matlala M.K ended on 31 January 2018.

Acting Senior Manager for Economic Development(2018/19) and Corporate Services(2017/18) (Mr Matsimela M.J)

Acting allowance	48,117	72,058
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Makhuduthamaga Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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22. Employee related costs (continued)

Acting Senior Manager for Infrastructure Development (Mr Senong P.A)

Acting allowance	12,029	-
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Mr. Senong P.A acted as the senior manager for Infrastructure and acting allowance was paid for the acting period.

Acting Senior Manager Economic Development & Planning (Ms Bapela B.M)

Acting allowance	-	24,206
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Ms Bapela B.M acted as Senior manager for Economic Development and Planning during the prior financial year and acting allowance was paid for the period of acting.

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
23. Remuneration and allowances of councillors		
Mayor	876,626	844,616
Council speaker	710,270	688,485
Executive Committee Members	3,773,435	4,049,505
Other councillors basic salary	9,417,192	8,932,337
Councillors pension contribution	1,673,470	1,701,859
Travel allowance	3,693,017	3,497,645
Travel claims	166,644	13,745
Cellphone allowance	2,121,600	2,095,668
Skills development levy	88,115	103,914
Data cards (61 councillors)	180,000	184,200
	22,700,369	22,111,974
Remuneration and allowances of selected members of the council		
Clr Maitula B.M		
Basic salary	527,690	507,395
Travel allowance	-	198,978
Cellphone allowance	40,800	40,800
Contributions to pension fund	300,059	89,540
SDL and Data card	8,077	7,903
	876,626	844,616
Remuneration and allowances for the council speaker Clr Tala M.A		
Basic salary	422,153	405,916
Travel allowance	-	162,973
Cellphone allowance	40,800	40,800
Contributions to pension	240,048	71,632
SDL and Data card	7,270	7,164
	710,271	688,485
Remuneration and allowances of members of the executive committee		
Basic salary	2,115,641	2,256,874
Travel allowance	829,663	885,049
Cellphone allowance	326,400	350,200
Pension fund, Medical, SDL & Data	373,348	448,739
Travel claims and Data card	128,383	108,644
	3,773,435	4,049,506

The remuneration and allowances of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

The municipal council consists of 62 councilors and none of the councillors owe the municipality any amounts in a form of unpaid rates and taxes or any other services.

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Figures in Rand	2019	2018
23. Remuneration and allowances of councillors (continued)		
In-kind benefits		
The Mayor, Speaker of Council, Chief Whip of council, Head of Corporate Service Portfolio Committee, Head of Budget and Treasury Office Portfolio Committee, Head of Infrastructure Development Portfolio Committee and MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and the Speaker of Council each have use of separate Council owned vehicle for official duties.		
The Mayor has one full-time Chauffeur. The Speaker of council has one full-time Chauffeur.		
24. Administrative expenditure		
Administration Expenses	3,896,419	1,557,055
Council logistics	1,064,019	441,402
Special programmes (Mayor's office)	8,779,813	4,490,398
Outreach programmes (Mayor's office)	3,686,940	4,906,150
Ward committee Incentives	3,629,000	3,649,000
Risk management programmes	67,291	537,798
Whippery support	27,720	7,850
OHS	1,181,050	1,003,175
	22,332,252	16,592,828
25. Depreciation and amortisation		
Property, plant and equipment	25,819,076	24,402,953
Intangible assets	1,458,650	941,214
	27,277,726	25,344,167
26. Impairment of assets		
Impairments		
Property, plant and equipment	1,398,324	-
The municipality has completed an asset verification process for the year ended 30 June 2019 and an impairment loss on the property, plant & equipment to the amount of R 1 398 324 was reported for the financial year.		
	1,398,324	-
27. Finance Costs		
Interest on overdue accounts (Telkom and Eskom)	103	110
Interest cost: Employee benefit obligations	490,000	403,000
	490,103	403,110
28. Debt impairment		
Current year doubtful debts allowance	401,001,758	364,804,379
Less: Previous doubtful debts	(364,804,379)	(298,145,772)
Bad debts written off	27,336,563	999,220
	63,533,942	67,657,827

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Figures in Rand	2019	2018
29. Repairs and maintenance		
Repairs and Maintenance: Other Assets	16,431,410	10,052,358
Repairs and Maintenance: Infrastructure Assets	37,173,706	30,757,089
	53,605,116	40,809,447
30. Contracted services		
Solid Waste Collection	23,954,762	23,653,586
Development of valuation roll	32,020	29,230
Cleaning and Security services	19,344,755	16,946,658
	43,331,537	40,629,474
31. Grants and subsidies paid		
Indigents grants (Free Basic Electricity)	4,803,044	4,685,022
	4,803,044	4,685,022
The municipality subsidises the indigent households that are on the Eskom FBE beneficiary list with the allocation of the free basic electricity at 50kwh per household on a monthly basis.		
32. Capital expenditure written-off (D Roads)		
Property Plant and Equipment	63,044,784	115,652,295
	63,044,784	115,652,295

In terms of the General Notice 217 of 2014, ownership and jurisdiction of roads by municipality in Limpopo Province is listed in schedule B of the notice. The municipality has constructed roads under the ownership of Roads Agency Limpopo SOC Limited (RAL) in terms of the Notice during the year ended 30 June 2019 and 30 June 2018. The roads can not be capitalised and have been written off and a loss on disposal of capital expenditure was incurred to the amount of R 63 044 784 (2019) and R 115 652 295 (2018).

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Figures in Rand	2019	2018
33. General expenses		
Advertising	1,255,087	1,767,442
Bank charges	251,686	219,546
Consulting and professional fees	4,776,952	4,616,257
Entertainment	27,825	35,341
Insurance	326,146	288,465
IT operational expenses	290,000	860,000
Marketing	903,506	1,017,999
Promotions and sponsorships	4,630,319	7,362,469
Fleet Management & System	96,464	91,984
Fuel and oil	3,324,720	3,616,705
Printing and stationery	2,827,727	3,945,539
Protective clothing	424,010	-
Development of HR policies	38,812	-
Environmental care expenses	188,500	235,625
Telephone and fax	1,162,919	1,124,839
Training	6,893,319	7,720,281
Travel and accomodation	3,558,264	3,837,286
LED forum and summit	73,092	100,800
Spatial planning - demarcation of sites	1,993,352	1,906,877
Electricity	1,784,520	1,464,035
Formalisation of Jane Furse and land scaping expenses	-	1,224,200
Sitting allowance ex-officio	540,000	451,800
Publications	9,519,100	6,821,053
Audit committee support	625,364	479,493
Bursary fund	4,024,058	6,435,212
Legal costs and Development of by-laws	1,012,827	1,323,086
Customer care	248,440	-
Financial System support	8,999,213	4,435,455
Vehicle tracking	27,729	52,102
Stipent	59,981	227,180
Fencing of cemeteries	1,235,075	771,797
Disaster relief fund	1,515,830	2,086,127
Electricity Infrastructure: Expensed	11,943,609	10,143,925
EPWP	3,139,226	2,849,197
	77,717,672	77,512,117
34. Auditors' remuneration		
Current Year Audit fees	3,472,677	3,196,316
	3,472,677	3,196,316

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Figures in Rand	2019	2018
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35. Provision - Rehabilitation of Landfill Site

The Madibong Landfill Site was previously included in the asset register of the Sekhukhune District Municipality together with the provision for the rehabilitation of the Landfill Site in its 2017/18 audited annual financial statements. On the 1st of July 2018, the Landfill Site was transferred to the Makhuduthamaga Local Municipality hence there are no comparative figures disclosed.

The valuation of the rehabilitation on the Landfill Site was performed by Mr Seakle Godschalk, a professional registered environmental scientist, of the Environmental and Sustainability Solutions (ESS) company. The company has developed and used the General Landfill Closure Costing Model (GLCCM) since 2011.

The future and discounted cash flows regarding the Landfill closure and rehabilitation related expenses were calculated using the CPI at 4.4437% and a discount rate of 7.9437%.

The cost of rehabilitating the Landfill Site was determined to be R 14 727 795 as at the 30th of June 2019 and was recognised as an expense in the statement of the financial performance of the municipality and a non-current liability of R 14 727 795 was also recognised in the statement of financial position for the year ended 30 June 2019.

36. Rental of facilities and equipment

Advertising Billboards

Site rentals	148,366	149,954
	<u>148,366</u>	<u>149,954</u>

The amount for site rentals is for the advertising billboards from Primedia around Makhuduthamaga municipal area.

37. Operating lease

The Municipality has entered in to an operating lease with ANAKA Group for Photocopier machines for a period of three years.

The total future minimum operating lease payments payable under existing operating lease arrangements are categorised in the following categories;

Within one year of the operating date	1,014,367	922,152
More than one year but less than five years of the reporting date	-	1,014,367
	<u>1,014,367</u>	<u>1,936,519</u>

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Figures in Rand	2019	2018
38. Cash generated from (used in) operations		
Deficit	(46,749,664)	(66,834,320)
Adjustments for:		
Depreciation and amortisation	27,277,726	25,344,167
(Gain)/Loss on disposal of assets	196,175	13,083
Rehabilitation cost - Landfill Site	14,727,795	-
Impairment loss	1,398,324	-
Debt impairment	63,533,942	67,657,827
Current service cost - Post employment benefits & Long service awards	815,000	603,000
Interest costs - Post employment benefits & Long service awards	490,000	403,000
Actuarial gain - Long service awards	-	(147,207)
Actuarial Loss - Post employment medical aid benefits & Long service awards	152,067	121,000
Long service awards paid	(86,067)	(103,793)
Donations received - Landfill Site	(1,163,457)	-
Changes in working capital:		
Inventories	(243,241)	24,039
Receivables from exchange transactions	(10,915)	1,130,858
Receivables from non exchange transactions	(67,678,382)	(66,578,527)
Payables from exchange transactions	26,928,896	(2,436,636)
VAT	7,217,546	4,306,699
Unspent conditional grants and receipts	(1,681,114)	(4,388,198)
	25,124,631	(40,885,008)
39. Loss on disposal of assets		
Loss on disposal of computer equipment (two laptops were lost in the previous financial year)	-	13,083
Loss on disposal of a traffic vehicle that was involved in an accident and was declared a write off.	196,175	-
	196,175	13,083

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Figures in Rand	2019	2018
40. Commitments		
Authorised operating and capital expenditure		
Operational commitments		
• Approved and contracted	120,068,987	41,339,963
	120,068,987	41,339,963
Capital commitments		
• Approved and contracted	58,181,586	72,144,338
	58,181,586	72,144,338
Total commitments		
Operational Commitments	120,068,987	41,339,963
Capital Commitments	58,181,586	72,144,338
	178,250,573	113,484,301

The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers as at 30 June 2019 amount to R 58 181 586 for capital commitments and R 120 068 987 for Operational commitments. The capital commitments are mainly for projects that are implemented over multi years. The operational commitments include three year contracts of which the amount disclosed is for more than one financial year.

41. Contingent Liabilities

Masanya Construction vs Makhuduthamaga Local Municipality

The municipality did penalise Masanya Construction for an amount of R 175 551.17, the reason for the penalties was that Masanya Construction failed to complete its work on time as per the contract it entered into with the municipality. The company has challenged the municipality in court and the matter was postponed to the 13th of September 2019 for trial.

Patrick Maphutha vs Makhuduthamaga Local Municipality

Mr Mogale Patrick Maphutha has issued the municipality with summons that he be appointed the senior manager for the department of community services. Mr Maphutha was interviewed for the position of senior manager together with all other candidates who had been shortlisted for the vacant position where one candidate other than Mr Maphutha was appointed. He is however challenging the municipality that he was the best suitable candidate and should have been appointed for the then vacant position, the municipality is currently exchanging documents with his legal representatives and the trial date is yet to be confirmed for the matter to stand trial.

Mamabolo Attorneys vs Makhuduthamaga Local Municipality

Mamabolo Attorneys has also issued the municipality with summons that the municipality must pay an amount of R 341 216.60 for the drafting of the legal opinion on the roller compactor matter. The municipality's argument is that it never appointed Mamabolo Attorneys to issue any legal opinion on its behalf on the matter and there was no contractual agreement between the municipality and Mamabolo Attorneys for the services on the legal matter. Mamabolo Attorneys did withdraw the matter and as a result the matter was removed from the roll on the 1st of August 2019.

Mr Alfred Malekane vs Makhuduthamaga Local Municipality

Mr Alfred Malekane was dismissed as an employee of the municipality on grounds of financial misconduct following the conclusion of the disciplinary processes by the municipality. Mr Malekane has since challenged his dismissal arguing that he was unfairly dismissed by the municipality. A trial date is yet to be determined by the labour court and the municipality may possibly be liable to pay an amount equivalent to his salary for the period starting from his dismissal date should the case be lost.

Mr Sepadi Nkadimeng vs Makhuduthamaga Local Municipality

Mr Sepadi Nkadimeng was employed by the municipality on a five year employment contract as a manager in the mayor's office, his term of employment came to an end when his employment contract with the municipality expired, however he argued that his understanding of his employment contract was that he was employed on a permanent basis not on a five year contract. He has since challenged the municipality in a court of labour and a date of trial is yet to be determined for the matter to stand trial.

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42. Related parties

Related party transactions

Section 57 Employees

Municipal Manager (Ms Rampedi M.N 2018/19 & Mr Moganedi R.M 2017/18)	1,080,414	42,917
Senior Manager: Corporate Services (Ms. Mahlare M.A)	926,614	918,167
Senior Manager: Community Services (Ms. Marishane M.E)	892,139	137,824
Senior Manager: Budget & Treasury(CFO) (Mr. Moganedi R.M)	900,903	885,634
Senior Manager: Economic Development & Planning (Mr. Thabela A.P)	526,302	134,672
Senior Manager: Infrastructure Development (Mr. Segale M.A)	583,590	1,110,254

South African Local Government Association

Annual membership fee	783,191	776,939
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Sekhukhune District Municipality

Donations received - Landfill Site	1,163,457	-
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Section 57 Employees

The section 57 employees as disclosed include the Municipal Manager as the accounting officer, the Chief Financial Officer as the senior manager for Budget & Treasury Office, the senior managers for the Corporate Services, Community, Economic Development, and Infrastructure Development.

South African Local Government Association

An amount of R 783 191 was paid to the South African Local Government Association as an annual membership fee. The cost of the membership fee amounts to 1% of the total annual employee cost of the municipality as approved by council for any new financial year.

Sekhukhune District Municipality

Sekhukhune District municipality's council through a council resolution, transferred the ownership of the Land fill site situated under Makhuduthamaga municipality to the municipality during the current financial year. The municipality used the audited carrying values obtained from the SDM to capitalise the asset in to the municipality's asset register for the year ended 30 June 2019.

Remuneration per councillor(2019)	Basic Salary	Cellphone Allowance	Car Allowance	Pension, Medical, SDL, Data card & Travel Claims	Total
Cllr Maitula B.M (Mayor)	527,690	40,800	-	308,136	876,626
Cllr Tala M.A (Speaker)	422,153	40,800	-	247,318	710,271
Cllr Chego D.K(Chief Whip)	395,768	40,800	155,203	84,769	676,540
Cllr Mankge H.N	395,768	40,800	155,203	101,731	693,502
Cllr Mohlala M.J	395,768	40,800	155,203	76,632	668,403
Cllr Diketane S.P (MPAC Chairperson)	387,817	40,800	152,085	106,823	687,525
Cllr Monakedi A.L	220,684	40,800	86,543	50,398	398,425
Cllr Maloma P.T	220,684	40,800	86,543	44,501	392,528
Cllr Mapheto M.T	220,684	40,800	86,543	44,501	392,528
Cllr Maisela K.R	220,684	40,800	86,543	91,027	439,054
Cllr Mamahlako P.M	166,994	40,800	65,488	34,659	307,941
Cllr Motseni N.L	166,994	40,800	65,488	34,659	307,941
Cllr Mapitsing T.J	166,994	40,800	65,488	38,759	312,041
Cllr Mabatane M.C	214,309	40,800	84,043	47,641	386,793
Cllr Mathume M.R	166,994	40,800	65,488	34,659	307,941
Cllr Dolamo M.F	166,994	40,800	65,488	34,659	307,941
Cllr Madihlaba M.G	166,994	40,800	65,488	34,659	307,941
Cllr Diale M.H	166,994	40,800	65,488	34,659	307,941
Cllr Thokwane M.J	166,994	40,800	65,488	34,659	307,941
Cllr Shikoane M.L	166,994	40,800	65,488	56,353	329,635

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Figures in Rand			2019	2018
42. Related parties (continued)				
Cllr Mokomane M.L	214,309	40,800	84,043	43,333
Cllr Diale K.E	214,309	40,800	84,043	43,333
Cllr Seboane T.M	166,994	40,800	65,488	34,659
Cllr Leshalabe M.M	214,309	40,800	84,043	47,210
Cllr Matjomane N.M	214,309	40,800	84,043	93,826
Cllr Lerobane M.P	220,684	40,800	86,543	52,851
Cllr Rankoe T.P	166,994	40,800	65,488	34,659
Cllr Thokwane K.Z	166,994	40,800	65,488	43,750
Cllr Mosoane E.M	166,994	40,800	65,488	45,316
Cllr Maduane K.A	166,994	40,800	65,488	34,659
Cllr Maleka K.J	166,994	40,800	65,488	34,659
Cllr Mahlase M.M	214,309	40,800	84,043	43,333
Cllr Nkademeng L.R	166,994	40,800	65,488	34,659
Cllr Thamaga M.R	166,994	40,800	65,488	34,659
Cllr Morodi P.E	166,994	40,800	65,488	34,659
Cllr Maredi H.M	166,994	40,800	65,488	34,659
Cllr Marabele K.O	166,994	40,800	65,488	34,662
Cllr Maila M.J	166,994	40,800	65,488	34,659
Cllr Nkgadima M.R	166,994	40,800	65,488	34,659
Cllr Masemola M.S	166,994	40,800	65,488	38,691
Cllr Makobe P.A	166,994	40,800	65,488	34,659
Cllr Mashifane G.M	166,994	40,800	65,488	34,659
Cllr Moganedi B.E	166,994	40,800	65,488	34,659
Cllr Matseding M.L	166,994	40,800	65,488	36,417
Cllr Sekwati K.D	166,994	40,800	65,488	34,659
Cllr Mamushi F	166,994	40,800	65,488	34,659
Cllr Phala M.M	166,994	40,800	65,488	34,659
Cllr Leshaba T.R	166,994	40,800	65,488	34,659
Cllr Magashule M.E	166,994	40,800	65,488	34,659
Cllr Phala M	220,684	40,800	86,543	44,501
Cllr Matsageng D.B	166,994	40,800	65,488	34,659
Cllr Mothogwane D	166,994	40,800	65,488	34,659
Cllr Komana M.L	166,994	40,800	65,488	34,659
Cllr Maloma D.R	166,994	40,800	65,488	34,659
Cllr Mogashoa N.A	166,994	40,800	65,488	34,659
Cllr Shongwe B.E	166,994	40,800	65,488	34,659
Cllr Madutlela K.K	166,994	40,800	65,488	34,659
Cllr Phasha L.P	166,994	40,800	65,488	35,028
Cllr Matjile C.D	166,994	40,800	65,488	34,659
Cllr Sebeshe M.S	166,994	40,800	65,488	34,659
Cllr Ranala S.T	166,994	40,800	65,488	34,659
Cllr Makua S.S	166,994	40,800	65,488	51,524
	12,482,658	2,529,600	4,522,682	3,165,429
				22,700,369

Remuneration per councilor(2018)

	Basic Salary	Cellphone Allowance	Car Allowance	Pension,Medical, SDL,Data card & Travel Claims	Total
Cllr Maitula B.M (Mayor)	507,395	40,800	-	296,421	844,616
Cllr Tala M.A (Speaker)	405,916	40,800	3,790	237,979	688,485
Cllr Chego D.K (Chief Whip)	380,547	40,800	149,234	74,352	644,933
Cllr Mankge H.N	380,547	40,800	149,234	107,304	677,885
Cllr Malaka M.S	221,986	23,800	87,053	51,181	384,020
Cllr Mohlala M.J	380,547	40,800	149,234	78,497	649,078
Cllr Diketane S.P (MPAC Chairperson)	372,901	40,800	146,235	103,736	663,672

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42. Related parties (continued)						
Cllr Monakedi A.L	212,299	40,800	83,255	44,058	380,412	
Cllr Maloma P.T	212,299	40,800	83,255	57,977	394,331	
Cllr Mapheto M.T	212,299	40,800	83,255	42,970	379,324	
Cllr Maisela K.R	212,299	40,800	83,255	76,942	413,296	
Cllr Mamahlako P.M	37,913	14,868	9,633	7,957	70,371	
Cllr Motseni N.L	160,572	40,800	62,969	39,389	303,730	
Cllr Mapitsing T.J	160,572	40,800	62,969	40,635	304,976	
Cllr Mabatane M.C	206,067	40,800	80,811	56,305	383,983	
Cllr Mathume M.R	160,572	40,800	62,969	33,488	297,829	
Cllr Dolamo M.F	160,572	40,800	62,969	37,447	301,788	
Cllr Madihlaba M.G	160,572	40,800	62,969	36,072	300,413	
Cllr Diale M.H	160,572	40,800	62,969	33,489	297,830	
Cllr Thokwane M.J	160,572	40,800	62,969	33,489	297,830	
Cllr Shikoane M.L	160,572	40,800	62,969	33,489	297,830	
Cllr Mokomane M.L	206,067	40,800	80,811	41,827	369,505	
Cllr Diale K.E	206,067	40,800	80,811	48,497	376,175	
Cllr Seboane T.M	160,572	40,800	62,969	33,489	297,830	
Cllr Leshalabe M.M	206,067	40,800	80,811	49,394	377,072	
Cllr Matjomane N.M	206,067	40,800	80,811	72,439	400,117	
Cllr Lerobane M.P	212,299	40,800	83,255	53,209	389,563	
Cllr Rankoe T.P	160,572	40,800	62,969	35,459	299,800	
Cllr Thokoane K.Z	160,572	40,800	62,969	36,768	301,109	
Cllr Mosoane E.M	160,572	40,800	62,969	56,523	320,864	
Cllr Maduane K.A	160,572	40,800	62,969	37,417	301,758	
Cllr Maleka K.J	160,572	40,800	62,969	33,489	297,830	
Cllr Mahlase M.M	206,067	40,800	80,811	41,829	369,507	
Cllr Nkadimeng L.R	160,572	40,800	62,969	33,489	297,830	
Cllr Thamaga M.R	160,572	40,800	62,969	34,938	299,279	
Cllr Morodi P.E	160,572	40,800	62,969	33,489	297,830	
Cllr Maredi H.M	160,572	40,800	62,969	33,489	297,830	
Cllr Marabele K.O	160,572	40,800	62,969	33,982	298,323	
Cllr Maila M.J	160,572	40,800	62,969	33,489	297,830	
Cllr Nkgadima M.R	160,572	40,800	62,969	34,001	298,342	
Cllr Masemola M.S	160,572	40,800	62,969	38,003	302,344	
Cllr Makobe P.A	160,572	40,800	62,969	33,489	297,830	
Cllr Mashifane G.M	160,572	40,800	62,969	33,489	297,830	
Cllr Mogamedi B.E	160,572	40,800	62,969	33,489	297,830	
Cllr Matseding M.L	160,572	40,800	62,969	41,104	305,445	
Cllr Sekwati K.D	160,572	40,800	62,969	33,489	297,830	
Cllr Mamushi F	160,572	40,800	62,969	33,489	297,830	
Cllr Phala M.M	160,572	40,800	62,969	33,489	297,830	
Cllr Leshaba T.R	160,572	40,800	62,969	34,217	298,558	
Cllr Magashule M.E	160,572	40,800	62,969	33,489	297,830	
Cllr Phala M	212,299	40,800	83,255	42,970	379,324	
Cllr Matsageng D.B	160,572	40,800	62,969	33,489	297,830	
Cllr Mothogwane D	160,572	40,800	62,969	33,489	297,830	
Cllr Komana M.L	160,572	40,800	62,969	33,489	297,830	
Cllr Maloma D.R	160,572	40,800	62,969	33,489	297,830	
Cllr Mogashoa D.R	160,572	40,800	62,969	33,489	297,830	
Cllr Shongwe B.E	160,572	40,800	62,969	33,489	297,830	
Cllr Madutlela K.K	160,572	40,800	62,969	33,489	297,830	
CllrPhasha L.P	160,572	40,800	62,969	34,254	298,595	
Cllr Maltjie C.D	160,572	40,800	62,969	33,489	297,830	
Cllr Sebesho M.S	160,572	40,800	62,969	33,489	297,830	
Cllr Ranala S.T	160,572	40,800	62,969	33,489	297,830	

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42. Related parties (continued)				
Cllr Makua S.S	160,572	40,800	62,969	35,231
	12,102,544	2,527,468	4,386,476	3,095,486
				22,111,974

43. Prior period errors

The following prior period errors were discovered during the 2018/19 financial year. The errors were corrected retrospectively and the annual financial statements as at 30 June 2019 were restated accordingly.

The municipality discovered during the 2018/19 financial year that an amount of R 33 999 444 for the interest charges on outstanding debtors was incorrectly calculated during the 2017/18 financial year. This amount was understated by R 1 901 015 in the statement of financial performance of the municipality. Interest on outstanding debtors account for the prior year (2017/18) has increased by R 1 901 015 to retrospectively rectify the prior period error in the statement of financial performance, the result of which will be an increase in the accumulated surplus amount by the same amount.

The municipality also discovered during the 2018/19 financial year that an amount of R 46 was erroneously expensed as bank charges in the statement of financial performance of the municipality for the 2017/18 prior year as audited. The same amount was accrued VAT inclusive in the statement of financial position of the municipality as a current liability. The error was rectified retrospectively by reversing the R 46 both in the statement of financial performance and position, the result of which will be an increase of R 46 in the accumulated surplus for the 2017/18 financial year.

The municipality unbundled the bridges in terms of GRAP 17 during the current year to ensure fair presentation of the different components of the assets in the Annual Financial statements as at 30 June 2019 and the prior years were affected by the unbundling process as some of the assets were acquired in the prior year. The total cost of R 39 921 603.5 was unbundled in to different components and resulted in to a prior period error of R 2 127 021 for the prior year ended 30 June 2019. The error was retrospectively corrected and the prior year PPE and Retained earnings were affected.

The following prior period errors were discovered during the 2018/19 financial year. The errors were corrected retrospectively and the annual financial statements as at 30 June 2019 were restated accordingly.

The municipality also discovered during the 2018/19 financial year that an amount of R 46 was erroneously expensed as bank charges in the statement of financial performance of the municipality for the 2017/18 prior year as audited. The same amount was accrued VAT inclusive in the statement of financial position of the municipality as a current liability. The error was rectified retrospectively by reversing the R 46 both in the statement of financial performance and position, the result of which will be an increase of R 46 in the accumulated surplus for the 2017/18 financial year.

The municipality unbundled the bridges in terms of GRAP 17 during the current year to ensure fair presentation of the different components of the assets in the Annual Financial statements as at 30 June 2019 and the prior years were affected by the unbundling process as some of the assets were acquired in the prior year. The total cost of R 39 921 603.5 was unbundled in to different components and resulted in to a prior period error of R 2 127 021 for the prior year ended 30 June 2019. The error was retrospectively corrected and the prior year PPE and Retained earnings were affected.

The municipality incurred irregular expenditure to the amount of R88 006 923 during the prior year ended 30 June 2019 and was not disclosed in the annual financial statements for the period. The disclosure for the irregular expenditure was accounted for retrospectively to correct the error.

Makhuduthamaga Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
43. Prior period errors (continued)		
Statement of financial position		
Increase in Property, plant and equipment	-	2,127,021
Increase in Receivables from Non exchange transactions	-	1,901,015
Increase Opening Accumulated Surplus or Deficit	-	46
Increase in closing accumulated surplus or deficit	-	2,127,021
Increase in closing balance of accumulated surplus or deficit	-	1,901,015
Statement of Financial Performance		
(Decrease) in Depreciation expense	-	2,127,021
Increase in interest on outstanding debtors	-	1,901,015
Decrease in Bank charges (General expenses)	-	(46)
44. Risk management		
Liquidity risk		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with credible banking institutions and limits exposure to any one counter-party.		
Financial assets exposed to credit risk at year end were as follows:		
Financial instrument	2019	2018
Receivables from non-exchange transactions	4,627,389	482,949
Receivables from exchange transactions	919,240	908,325
Cash & Cash equivalents	9,052,239	19,277,879
VAT Receivable	18,436,425	25,653,978
Maximum risk exposure	33,035,293	46,323,131
45. Unauthorised expenditure		
Opening balance	58,725,948	57,582,040
Current year	60,197,372	48,020,749
Less amounts: written-off by council	-	(46,876,841)
	118,923,320	58,725,948

The unauthorised expenditure for the current year includes an amount of R 34 535 273 for the impairment of receivables from non-exchange transactions which was not budgeted for in the 2018/19 financial year, the municipality has materially impaired the outstanding debtors to account for the non-payment of outstanding debts by both the businesses and government departments. R 14 727 795 was also recognised as an unauthorised expenditure for the rehabilitation cost of the Landfill Site in Madibong, the Landfill Site was donated to the municipality on the 1st of July 2018 with no budget provision in the 2018/19 financial year. An amount of R 2 101 414 was also incurred as unauthorised expenditure on the public participation and special programmes in the executive support department. R 2 953 941 was expenditure incurred for the construction of Rietfontein_Eenzaam access road, a multi-year project which was planned for completion in the 2017/18 financial year, however the project was completed in 2018/19 financial year with no budget provision. R 5 878 949 was expenditure incurred in excess of the approved budget on the VAT refund collection fees for the 2018/19 financial year.

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46. Fruitless and wasteful expenditure

Opening balance	571,888	507,026
Current year	103	64,862
	<u>571,991</u>	<u>571,888</u>

The municipality has incurred, for the financial year ended 30 June 2019 an amount of R 103.32 in a form of fruitless and wasteful expenditure. The reported expenditure comprises of the interest amounts charged on overdue Telkom account for R 4.71 and interest amount on overdue Eskom account for R 98.61.

The opening balance for the fruitless and wasteful expenditure, was submitted to council which referred the matter to MPAC for investigation. As at year end and the reporting date, the expenditure was still under investigation and no disciplinary action were taken against any person as the matter was not concluded and supported by a council resolution and MPAC reports

47. Irregular expenditure

Opening balance	73,200,567	74,901,408
Add: Irregular Expenditure - current year	49,649,318	88,006,923
Less: Amounts written-off by council	(50,289,647)	(89,707,764)
	<u>72,560,238</u>	<u>73,200,567</u>

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47. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
The service provider was appointed in contravention of section 112 of the MFMA, as the bid document of the contractor was altered on one of the pages and the alteration was not signed for and the copy of the lease agreement attached to the bid was not certified. The irregular expenditure was discovered by AGSA during external audit for the year ended 30 June 2018.	The irregular expenditure referred to MPAC by council and upon receipt of MPAC investigation report the expenditure was written off as irrecoverable.	1,666,005
Adjudication committee recommended appointment of the service provider at an amount different from evaluation committee recommendation. Monthly price was compared to 36 month prices during calculation of points for awarding of the bid. The irregular expenditure was discovered by AGSA during the external audit for the year ended 30 June 2018. The reported expenditure relates to the current financial year of the three years contract.	The irregular expenditure referred to MPAC by council and upon receipt of MPAC investigation report the expenditure was written off as irrecoverable.	4,183,231
The service provider was awarded the bid in contravention of section 112 of the MFMA as the bid document of the service provider submitted for audit did not have certain pages inside and it also looked like a copy to the auditors. The irregular expenditure was discovered by AGSA during the external audit for the year ended 30 June 2018. The reported expenditure relates to the current financial year of the 3 years contract.	The irregular expenditure referred to MPAC by council and upon receipt of MPAC investigation report the expenditure was written off as irrecoverable.	22,604,522
The bid was advertised for a period less than 60 days as required by the SCM regulations and the SCM policy. The irregular expenditure was discovered by AGSA during external audit for the year ended 30 June 2018. The reported expenditure relates to the current financial year of the 5 years contract.	The irregular expenditure referred to MPAC by council and upon receipt of MPAC investigation report the expenditure was written off as irrecoverable.	251,686
The tax matters of the service provider were not in good order during the appointment period. The reported expenditure relates to the current financial year of the 3 year contract.	The irregular expenditure referred to MPAC by council and upon receipt of MPAC investigation report the expenditure was written off as irrecoverable.	2,069,092
The joint venture was appointed to implement a Turnkey project and the engineering consultants which does not have a CIDB grading was part of the JV.	The irregular expenditure was discovered during the current financial year and was reported to council. The expenditure will be referred to MPAC for investigations and as at year end the matter was not yet finalised.	2,504,257
The consulting engineer was appointed to implement a Turnkey project and the engineering consultant who does not have a CIDB grading was part of the JV.	The irregular expenditure was discovered during the current financial year and was reported to council. The expenditure will be referred to MPAC for investigations and as at year end the matter was not yet finalised.	2,137,023
The engineering consultant was a lead partner to a consortium to implement a Turn Key project while they do not have CIDB grading.	The irregular expenditure was discovered during the current financial year and was reported to council. The expenditure will be referred to MPAC for investigations and as at year end the matter was not yet finalised.	1,017,989

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47. Irregular expenditure (continued)

The appointed service joint venture was appointed without meeting the minimum requirements on functionality.

The irregular expenditure was discovered in the previous financial year and was reported to council. MPAC did investigate the expenditure and recommended to council for write off, the expenditure was written off by council.

306,671

Appointed service provider did not initial some pages of the bid document.

The irregular expenditure referred to MPAC by council and upon receipt of MPAC investigation report the expenditure was written off as irrecoverable. The municipality did not incur any loss.

12,908,842

49,649,318

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48. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(46,749,664)	(66,834,320)
Adjusted for:		
Investment revenue - under collection/(over collection)	1,726,753	1,200,315
Transfers recognised - under collection/(over collection)	(1,874,614)	1,693,802
Other own revenue - under collection/(over collection)	430,455	(259,450)
Depreciation - over spending/(under spending)	766,552	2,126,275
Employee related costs - over spending/(under spending)	592,589	(7,513,959)
Remuneration of councillors - over spending/(under spending)	(2,208,729)	72,090
Contracted services - over spending/(under spending)	(12,242,256)	(73,025,090)
Debt impairment - over spending/(under spending)	34,191,115	39,608,931
Actuarial gains and revaluation surplus - (not budgeted for)	-	(147,207)
Other expenditure - over spending/(under spending)	77,416,369	186,293,904
Loss on disposal of assets - not budgeted for	196,175	13,083
Actuarial losses - not budgeted for	152,067	121,000
Rehabilitation cost - Landfill Site	14,727,795	-
Donations received - not budgeted for	(1,163,457)	-
Net surplus per approved budget	65,961,150	83,349,374

49. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - current year	(3,472,677)	(3,196,316)
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PAYE and UIF

Current year subscription / fee	14,005,881	12,213,871
Amount paid - current year	(12,780,179)	(12,213,871)
Outstanding balance as at year end	1,225,702	-

Pension and Medical Aid Deductions

Current year subscription / fee	19,624,022	9,449,346
Amount paid - current year	(17,944,450)	(9,449,346)
Outstanding balance as at year end	1,679,572	-

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Council of the municipality. The expenses incurred as listed hereunder have been approved.

Incident

Deviation as per section 36(1)(a)(i) of the SCM regulation	749,363	169,248
Deviation as per section 36(1)(a)(ii) of the SCM regulation	4,231,916	4,388,605
Deviation as per section 36(1)(a)(v) of the SCM regulation	5,696,703	3,403,901
	10,677,982	7,961,754

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50. Change in accounting estimates

During the current year, the municipality changed the useful life for road marking from 15 years to 12 months to ensure a fair presentation of the Property Plant and Equipment in the financial statements of the municipality for the year ended 30 June 2019. The effect of the change in accounting estimate for the road markings was applied prospectively and the road markings to a total carrying value of R 1 349 599.88 were impaired and written off from the asset register.

Makhuduthamaga Local Municipality
Makhuduthamaga Local Municipality
Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation
Accumulated depreciation

	Opening Balance		Additions		Disposals		Transfers		Donations received		Closing Balance		Opening Balance		Disposals		Transfers (Accumulated depreciation)		Depreciation		Impairment loss		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Land and buildings																										
Land	235,000		-		-		-		-		235,000		-		-		-		-		-		-		235,000	
Landfill Sites (Separate for AFS purposes)	-		-		-		-		-		-		-		-		-		-		-		-		-	
Buildings	41,060,160		-		-		1,070,085		1,162,456		43,232,701		(9,372,153)		-		-		(1,758,532)		-		(11,130,685)		32,102,016	
Buildings (Separate for AFS purposes)	-		-		-		-		-		-		-		-		-		-		-		-		-	
	41,295,160		-		-		1,070,085		1,162,456		43,527,701		(9,372,153)		-		-		(1,758,532)		-		(11,130,685)		32,337,016	
Infrastructure																										
Roads, Pavements & Bridges	282,883,155		-		-		17,420,471		-		300,303,626		(75,057,083)		-		-		(15,851,811)		(1,398,324)		(92,307,218)		207,996,408	
WIP (Infrastructure)	18,853,774		27,696,273		-		(19,038,516)		-		27,512,531		-		-		-		-		-		-		27,512,531	
Generation	-		-		-		-		-		-		-		-		-		-		-		-		-	
Transmission & Reticulation	-		-		-		-		-		-		-		-		-		-		-		-		-	
Street lighting and high mast	-		-		-		-		-		-		-		-		-		-		-		-		-	
Dams & Reservoirs	-		-		-		-		-		-		-		-		-		-		-		-		-	
Water purification	-		-		-		-		-		-		-		-		-		-		-		-		-	
Reticulation	-		-		-		-		-		-		-		-		-		-		-		-		-	
Sewerage purification	-		-		-		-		-		-		-		-		-		-		-		-		-	
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-		-		-		-		-		-		-		-		-		-		-		-		-	
Housing	-		-		-		-		-		-		-		-		-		-		-		-		-	
Waste Management	-		-		-		-		-		-		-		-		-		-		-		-		-	
Gas	-		-		-		-		-		-		-		-		-		-		-		-		-	
Other (fibre optic, WiFi infrastructure)	-		-		-		-		-		-		-		-		-		-		-		-		-	
Other 1	-		-		-		-		-		-		-		-		-		-		-		-		-	
	301,776,929		27,696,273		-		(1,618,045)		-		327,856,157		(75,057,083)		-		-		(15,851,811)		(1,398,324)		(92,307,218)		235,548,939	
Community Assets																										
	-		-		-		-		-		-		-		-		-		-		-		-		-	

Makhuduthamaga Local Municipality
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Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation

Accumulated depreciation

	Opening Balance		Additions		Disposals		Transfers		Donations received		Closing Balance		Opening Balance		Disposals		Transfers (Accumulated depreciation)		Impairment loss		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Heritage assets	-		-		-		-		-		-		-		-		-		-		-		-	
Specialized vehicles	-		-		-		-		-		-		-		-		-		-		-		-	
Other assets	-		-		-		-		-		-		-		-		-		-		-		-	
General vehicles	32,234,707		3,295,478		(655,500)		-		-		34,874,685		(12,918,932)		308,397		-		(4,127,613)		(16,740,148)		18,134,537	
Plant & equipment	16,974,914		1,217,843		-		-		-		18,192,757		(6,481,584)		-		-		(2,637,668)		(11,299,244)		7,436,473	
Computer Equipment	-		-		-		545,960		-		-		-		-		-		-		-		-	
Computer Software (part of computer equipment)	-		-		-		-		-		-		-		-		-		-		-		-	
Furniture & Fittings	4,441,773		437,489		-		-		-		4,879,262		(2,809,061)		-		-		(435,725)		(3,244,786)		1,634,476	
Office Equipment	1,632,132		934,332		-		-		-		2,566,464		(1,390,040)		-		-		(264,092)		(1,654,132)		912,332	
Office Equipment - Leased	-		-		-		-		-		-		-		-		-		-		-		-	
Abattoirs	-		-		-		-		-		-		-		-		-		-		-		-	
Market stalls	5,412,521		-		-		-		-		5,412,521		(1,628,814)		-		-		(176,973)		(1,805,787)		3,606,734	
Airports	-		-		-		-		-		-		-		-		-		-		-		-	
Security measures	-		-		-		-		-		-		-		-		-		-		-		-	
Civic land and buildings	-		-		-		-		-		-		-		-		-		-		-		-	
Other buildings	-		-		-		-		-		-		-		-		-		-		-		-	
Other land	-		-		-		-		-		-		-		-		-		-		-		-	
Bridges and Containers	-		-		-		-		-		-		-		-		-		-		-		-	
Work in progress	-		-		-		-		-		-		-		-		-		-		-		-	
Other	-		-		-		-		-		-		-		-		-		-		-		-	
Other Assets - Leased	-		-		-		-		-		-		-		-		-		-		-		-	
Surplus Assets - (Investment or Inventory)	-		-		-		-		-		-		-		-		-		-		-		-	
Housing development	-		-		-		-		-		-		-		-		-		-		-		-	
Loose tools	3,105,742		-		-		-		1,002		3,106,744		(2,050,156)		-		-		(368,667)		(2,416,863)		689,881	
	63,801,789		5,865,142		(655,500)		-		1,002		69,688,393		(29,255,627)		306,397		-		(8,208,730)		(37,157,960)		32,400,433	

Makhuduthamaga Local Municipality
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Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation

Accumulated depreciation

	Opening Balance		Additions		Disposals		Transfers		Donations received		Closing Balance		Operating Balance		Disposals		Transfers (Accumulated depreciation)		Depreciation		Impairment loss		Closing Balance		Carrying value		
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		
Total property plant and equipment																											
Land and buildings	41 295 160		-		-		-		1 070 085		1 162 456		43 527 701		(9 372 153)		-		-		(1 758 532)		-		(11 130 685)		32 397 016
Infrastructure	301 776 929		27 656 273		-		-	(1 616 045)		-		327 856 157		(75 057 053)		-		-		(15 851 811)		(1 398 324)		(92 307 218)		235 548 939	
Community Assets	-		-		-		-	-		-		-		-		-		-		-		-		-		-	
Heritage assets	-		-		-		-	-		-		-		-		-		-		-		-		-		-	
Specialised vehicles	-		-		-		-	-		-		-		-		-		-		-		-		-		-	
Other assets	63 801 789		5 855 142		(655 500)		-	545 960		1 002		69 556 393		(29 255 627)		306 397		-		(8 208 730)		-		(37 157 960)		32 400 433	
	406 873 878		33 560 416		(655 500)		-	-		1 163 458		440 942 251		(113 684 863)		306 397		-		(25 819 073)		(1 398 324)		(140 595 863)		300 346 388	
Agricultural/Biological assets																											
Agricultural	-		-		-		-	-		-		-		-		-		-		-		-		-		-	
Biological assets	-		-		-		-	-		-		-		-		-		-		-		-		-		-	
Intangible assets																											
Intangible assets under development (WIP)	1 177 986		1 942 781		-		-	1 035 000		-		4 155 767		-		(1 458 650)		-		-		-		(1 458 650)		2 697 117	
Computers - software & programming	1 035 000		-		-		-	(1 035 000)		-		-		-		-		-		-		-		-		-	
	2 212 986		1 942 781		-		-	-		-		4 155 767		-		(1 458 650)		-		-		-		(1 458 650)		2 697 117	
Investment properties																											
Investment property	209 500		-		-		-	-		-		209 500		-		-		-		-		-		-		209 500	
	209 500		-		-		-	-		-		209 500		-		-		-		-		-		-		209 500	
Total																											
Land and buildings	41 295 160		-		-		-	1 070 085		1 162 456		43 527 701		(9 372 153)		-		-		(1 758 532)		-		(11 130 685)		32 397 016	
Infrastructure	301 776 929		27 656 273		-		-	(1 616 045)		-		327 856 167		(75 057 053)		-		-		(15 851 811)		(1 398 324)		(92 307 218)		235 548 939	
Community Assets	-		-		-		-	-		-		-		-		-		-		-		-		-		-	
Heritage assets	-		-		-		-	-		-		-		-		-		-		-		-		-		-	
Specialised vehicles	-		-		-		-	-		-		-		-		-		-		-		-		-		-	
Other assets	63 801 789		5 855 142		(655 500)		-	545 960		1 002		69 556 393		(29 255 627)		306 397		-		(8 208 730)		-		(37 157 960)		32 400 433	
Agricultural/Biological assets	-		-		-		-	-		-		-		-		-		-		-		-		-		-	
Intangible assets	2 212 986		1 942 781		-		-	-		-		4 155 767		-		(1 458 650)		-		(1 458 650)		-		(1 458 650)		2 697 117	
Investment properties	209 500		-		-		-	-		-		209 500		-		-		-		-		-		-		209 500	
	409 296 364		35 503 196		(655 500)		-	-		1 163 458		445 307 518		(113 684 863)		306 397		-		(27 277 723)		(1 398 324)		(142 054 513)		303 253 005	

Makhuduthamaga Local Municipality
Makhuduthamaga Local Municipality
Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation
Accumulated depreciation

	Opening Balance		Additions		Disposals		Transfers from WIP		Transfers (Cost)		Other changes, movements		Closing Balance		Opening Balance		Transfers (Acc. unallocated surp. (us))		Disposals		Depreciation		Accumulated Disposal		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Land and buildings																												
Land	235,000		-		-		-		-		-		235,000		-		-		-		-		-		-		235,000	
Land/A Sites (Separate for AFS purposes)	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Buildings	41,740,243		-		-		-		(680,683)		-		41,060,160		(7,833,091)		169,405		-		(1,708,467)		-		(9,372,153)		31,688,007	
Buildings (Separate for AFS purposes)	-		-		-		-		(680,683)		-		-		-		-		-		-		-		-		-	
	41,975,243		-		-		-		(680,683)		-		41,295,160		(7,833,091)		169,405		-		(1,708,467)		-		(9,372,153)		31,923,007	
Infrastructure																												
Roads, Pavements & Bridges	253,835,517		-		-		29,047,538		-		-		282,883,155		(60,299,682)		-		-		(14,757,406)		-		(75,057,084)		207,826,067	
Work in Progress	34,193,593		17,099,167		-		(32,356,686)		-		-		18,893,774		-		-		-		-		-		-		18,893,774	
Generation	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Transmission & Reticulation	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Street lighting and high masts	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Dams & Reservoirs	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Water purification	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Reticulation	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Sewerage purification	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Housing	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Waste Management	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Gas	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Other (fibre optic, WiFi infrastructure)	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
Other 1	-		-		-		-		-		-		-		-		-		-		-		-		-		-	
	298,029,110		17,099,167		-		(3,351,348)		-		-		301,776,929		(60,299,682)		-		-		(14,757,406)		-		(75,057,084)		226,719,841	
Community Assets																												
	-		-		-		-		-		-		-		-		-		-		-		-		-		-	

Makhuduthamaga Local Municipality
Makhuduthamaga Local Municipality
Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation
Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers from WIP	Transfers/(Cost)	Other changes, movements	Closing Balance	Opening Balance	Transfers/(Acc umulated surp lus)	Disposals	Depreciation	Accumulated Disposal	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialized vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General vehicles	28 693 225	3 541 481	-	-	-	-	32 234 706	(8 897 394)	-	-	(4 021 536)	-	(12 918 930)	19 315 776
Plant & equipment	11 305 458	5 720 937	(51 600)	-	-	-	16 974 915	(5 735 937)	-	19 671	(2 744 317)	-	(8 461 583)	8 513 332
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixings	3 671 640	770 132	-	-	-	-	4 441 772	(2 419 432)	-	-	(385 528)	-	(2 806 060)	1 635 712
Office Equipment	1 519 148	12 985	-	-	-	-	1 632 133	(1 250 096)	-	-	(138 944)	-	(1 390 040)	242 093
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	4 732 439	4 130 000	-	680 083	(4 130 000)	-	5 412 521	(72 561)	(169 405)	-	(1 385 447)	-	(1 628 313)	3 783 708
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loose tools	2 837 666	268 076	-	-	-	-	3 105 742	(1 622 363)	-	-	(427 813)	-	(2 060 196)	1 055 546
	52 859 695	14 443 611	(51 600)	680 083	(4 130 000)	-	63 861 789	(19 998 203)	(169 405)	19 671	(9 106 685)	-	(20 265 622)	34 546 167

Makhuduthamaga Local Municipality
Makhuduthamaga Local Municipality
Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation

Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers from WIP	Transfers (Cost)	Other changes, movements	Closing Balance	Opening Balance	Transfers (Accumulated surplus)	Disposals	Depreciation	Accumulated Disposal	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	41 975,243	-	-	-	(660,083)	-	41 295,160	(7 833,091)	169,405	-	(1 708,487)	-	(9 372,153)	31 923 007
Infrastructure	288 078 110	17 059 167	-	(3 351 348)	-	-	301 776 929	(60 269 662)	-	-	(14 757 406)	-	(76 087 088)	228 719 841
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	52 859 695	14 443 611	(51 600)	680 063	(4 130 000)	-	63 801 769	(19 896 203)	(169 405)	18 671	(9 108 685)	-	(28 284 622)	34 546 167
	382 894 048	31 542 778	(51 600)	(2 671 265)	(4 810 083)	-	406 873 878	(88 130 976)	-	18 671	(25 872 558)	-	(113 684 863)	293 189 015
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	4 843 689	-	-	-	-	-	4 843 689	(2 734 489)	-	-	(541 214)	-	(3 665 703)	1 177 986
Intangible assets under development (D Roads)	1 035 000	-	-	-	-	-	1 035 000	-	-	-	-	-	-	1 035 000
	5 878 689	-	-	-	-	-	5 878 689	(2 734 489)	-	-	(941 214)	-	(3 665 703)	2 212 986
Investment properties														
Investment property	94 500	-	-	-	-	-	94 500	115 000	-	-	-	-	115 000	209 500
	94 500	-	-	-	-	-	94 500	115 000	-	-	-	-	115 000	209 500
Total	388 837 237	31 542 778	(51 600)	(2 671 265)	(4 810 083)	-	412 647 667	(90 740 465)	-	18 671	(26 513 772)	-	(117 235 566)	295 611 501

June 2019

Accumulated Depreciation

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Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended June 30, 2019

	2019/2018				2018/2017								
Original Budget	Budget Adjustments (i.e. 528 and 531 of the MFMA)	Shifting of funds (i.e. Council approved policy)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional													
Municipal governance and administration	406,197,849	7,001,000	413,198,849	-	413,198,849	423,347,818	10,148,969	102 %	104 %				410,015,529
Executive and council	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Finance and administration	406,197,849	7,001,000	413,198,849	-	413,198,849	423,347,818	10,148,969	102 %	104 %				410,015,529
Internal audit	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Community and public safety	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Community and social services	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Public safety	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Economic and environmental services	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Planning and development	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Road transport	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Trading services	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Energy sources	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Water management	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %				-
Total Revenue - Functional	406,197,849	7,001,000	413,198,849	-	413,198,849	423,347,818	10,148,969	102 %	104 %				410,015,529

Appendix G1

2018/2017

Appendix G2

Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended June 30, 2019

2019/2018										2018/2017									
Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.e. s31 of the MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome					
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					
Revenue by Vote																			
Example 1 - Vote1	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 2 - Vote2	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 3 - Vote3	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 4 - Vote4	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 5 - Vote5	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 6 - Vote6	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Vote7 - Budget and Treasury	406 197 848	7 001 000	413 198 848	-	413 198 848	423 347 818	-	10 148 969	102 %	104 %	-	-	-	410 015 529					
Example 8 - Vote8	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 9 - Vote9	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 10 - Vote10	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 11 - Vote11	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 12 - Vote12	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 13 - Vote13	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 14 - Vote14	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 15 - Vote15	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Total Revenue by Vote	406 197 848	7 001 000	413 198 848	-	413 198 848	423 347 818	-	10 148 969	102 %	104 %	-	-	-	410 015 529					
Expenditure by Vote to be appropriated																			
Vote1 - Executive Support	62 299 901	452 822	62 752 523	-	62 752 523	64 825 326	-	2 072 803	103 %	104 %	-	-	-	59 507 632					
Vote2 - Office of the Municipal Manager	12 767 163	560 000	13 327 163	-	13 327 163	9 982 832	-	(3 334 331)	75 %	78 %	-	-	-	9 129 054					
Vote3 - Planning and Economic Development	11 908 000	(50 957)	11 857 043	-	11 857 043	10 549 602	-	(1 207 441)	90 %	89 %	-	-	-	11 886 038					
Vote4 - Infrastructure Development	44 375 022	21 082 028	65 457 048	-	65 457 048	130 736 164	-	65 279 116	200 %	285 %	-	-	-	169 231 880					
Vote5 - Community Services	52 445 621	(3 347 773)	49 102 048	-	49 102 048	47 415 162	-	(1 686 886)	97 %	90 %	-	-	-	44 791 071					
Vote6 - Corporate Services	28 225 489	1 512 504	29 737 993	-	29 737 993	32 535 142	-	2 797 149	109 %	115 %	-	-	-	33 361 133					
Vote7 - Budget and Treasury	106 374 149	8 528 733	115 003 882	-	115 003 882	173 543 234	-	59 539 352	151 %	164 %	-	-	-	148 843 121					
Example 8 - Vote8	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 9 - Vote9	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 10 - Vote10	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 11 - Vote11	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 12 - Vote12	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 13 - Vote13	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 14 - Vote14	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Example 15 - Vote15	-	-	-	-	-	-	-	-	DIVID %	DIVID %	-	-	-	-					
Total Expenditure by Vote	318 399 546	28 838 155	347 237 700	-	347 237 700	470 097 482	-	122 859 782	135 %	148 %	-	-	-	478 849 849					
Surplus/(Deficit) for the year	87 798 304	(21 837 155)	65 961 149	-	65 961 149	(46 749 664)	-	(112 710 813)	(71)%	(53)%	-	-	-	(86 834 320)					

Appendix G3

Budgeted Financial Performance (revenue and expenditure) for the year ended June 30, 2019

2019/2018

2018/2017

	Original Budget		Budget Adjustments (i.e. s28 and s31 of the MFMA)		Final Budget adjustments		Shifting of Funds (i.e. s31 of the MFMA)		Virement (i.e. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Budget Adjustments		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Revenue By Source																														
Property rates	37,237,269		891,961		36,129,250		-		-		36,129,250		36,129,250		-		-		100 %		100 %		-		-		-		37,707,750	
Service charges - electricity revenue	-		-		-		-		-		-		-		-		-		Div0 %		Div0 %		-		-		-		-	
Service charges - water revenue	-		-		-		-		-		-		-		-		-		Div0 %		Div0 %		-		-		-		-	
Service charges - sanitation revenue	-		-		-		-		-		-		-		-		-		Div0 %		Div0 %		-		-		-		-	
Service charges - refuse revenue	-		-		-		-		-		-		-		-		-		Div0 %		Div0 %		-		-		-		-	
Service charges - other	-		-		-		-		-		-		-		-		-		Div0 %		Div0 %		-		-		-		-	
Rental of facilities and equipment	129,675		-		129,675		-		-		129,675		149,366		-		19,691		114 %		114 %		-		-		-		149,954	
Interest earned - external investments	10,234,587		(4,930,120)		5,304,438		-		-		5,304,438		3,517,685		-		(1,786,753)		67 %		67 %		-		-		-		3,828,088	
Interest earned - outstanding debtors	29,342,827		3,299,168		32,541,995		-		-		32,541,995		41,910,101		-		9,368,106		128 %		128 %		-		-		-		35,900,489	
Actual gains	-		-		-		-		-		-		-		-		-		Div0 %		Div0 %		-		-		-		147,207	
Fines, penalties and forfeits	150,000		400,000		550,000		-		-		550,000		656,200		-		106,200		119 %		119 %		-		-		-		235,500	
Licences and permits	-		-		-		-		-		-		-		-		-		Div0 %		Div0 %		-		-		-		-	
Agency services	5,584,034		400,000		5,984,034		-		-		5,984,034		5,812,355		-		(171,679)		97 %		97 %		-		-		-		4,943,493	
Transfers and subsidies	256,837,000		-		256,837,000		-		-		256,837,000		258,178,614		-		1,341,614		101 %		101 %		-		-		-		247,523,307	
Other revenue	682,457		(60,000)		622,457		-		-		622,457		771,730		-		149,273		124 %		124 %		-		-		-		924,881	
Donations received - Landfill Site	-		-		-		-		-		-		1,163,457		-		1,163,457		Div0 %		Div0 %		-		-		-		-	
Total Revenue (excluding capital transfers and contributions)	340,197,849		1,000		340,198,849		-		-		340,198,849		350,347,818		-		10,148,969		103 %		103 %		-		-		-		335,360,639	

Appendix G3 Budgeted Financial Performance (revenue and expenditure) for the year ended June 30, 2019

2019/2018

2018/2017

	Original Budget		Budget Adjustments (i.e. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.e. s31 of the MFMA)		Virement (i.e. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Employee related costs	81,965,545		(11,274,235)		70,721,310		-		-		70,721,310		71,313,899		-		562,589		101 %		87 %		-		-		-		62,121,189	
Remuneration of councillors	24,909,098		-		24,909,098		-		-		24,909,098		22,705,309		-		(2,203,789)		91 %		91 %		-		-		-		22,111,374	
Debt impairment	29,342,827		-		29,342,827		-		-		29,342,827		63,533,942		-		34,191,115		217 %		217 %		-		-		-		67,657,527	
Depreciation & asset impairment	22,197,873		4,313,401		26,511,274		-		-		26,511,274		27,277,726		-		766,452		103 %		123 %		-		-		-		26,344,167	
Finance charges	-		-		-		-		-		-		490,103		-		490,103		DW0 %		DW0 %		-		-		-		403,110	
Bank purchases	-		-		-		-		-		-		-		-		-		DW0 %		DW0 %		-		-		-		-	
Other materials	-		-		-		-		-		-		-		-		-		DW0 %		DW0 %		-		-		-		-	
Contracted services	55,159,230		34,435,432		129,634,662		-		-		129,634,662		43,331,537		-		(86,303,125)		33 %		46 %		-		-		-		81,438,921	
Transfers and subsidies	-		-		-		-		-		-		4,803,044		-		4,803,044		DW0 %		DW0 %		-		-		-		4,685,022	
Other expenditure	64,754,372		1,363,557		66,118,529		-		-		66,118,529		173,602,078		-		107,483,549		263 %		268 %		-		-		-		97,435,544	
Loss on disposal of PPE	-		-		-		-		-		-		63,044,784		-		63,044,784		DW0 %		DW0 %		-		-		-		115,652,285	
Total Expenditure	318,399,545		28,838,155		347,237,700		-		-		347,237,700		870,097,482		-		122,859,782		135 %		148 %		-		-		-		476,849,849	
Surplus/(Deficit)	21,798,304		(28,837,155)		(7,038,851)		-		-		(7,038,851)		(118,749,684)		-		(112,710,813)		1,701 %		(549)%		-		-		-		(141,489,210)	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	66,000,000		7,000,000		73,000,000		-		-		73,000,000		73,000,000		-		-		100 %		111 %		-		-		-		74,654,950	
Transfers and subsidies - Capital (monetary allocations) (National / Provincial Departmental Agencies)	-		-		-		-		-		-		-		-		-		DW0 %		DW0 %		-		-		-		-	
Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-		-		-		-		-		-		-		-		-		DW0 %		DW0 %		-		-		-		-	
Transfers and subsidies - capital (non-kind - all)	-		-		-		-		-		-		-		-		-		DW0 %		DW0 %		-		-		-		-	
Surplus/(Deficit) after capital transfers & contributions	87,798,304		(21,837,155)		65,961,149		-		-		65,961,149		(46,749,684)		-		(112,710,813)		(71)%		(53)%		-		-		-		(66,834,320)	
Taxation	-		-		-		-		-		-		-		-		-		DW0 %		DW0 %		-		-		-		-	
Surplus/(Deficit) after taxation	87,798,304		(21,837,155)		65,961,149		-		-		65,961,149		(46,749,684)		-		(112,710,813)		(71)%		(53)%		-		-		-		(66,834,320)	
Attributable to municipalities	-		-		-		-		-		-		-		-		-		DW0 %		DW0 %		-		-		-		-	
Share of surplus/(deficit) of associated municipalities	-		-		-		-		-		-		-		-		-		DW0 %		DW0 %		-		-		-		-	
Share of surplus/(deficit) of associated municipalities	-		-		-		-		-		-		-		-		-		DW0 %		DW0 %		-		-		-		-	
Surplus/(Deficit) for the year	87,798,304		(21,837,155)		65,961,149		-		-		65,961,149		(46,749,684)		-		(112,710,813)		(71)%		(53)%		-		-		-		(66,834,320)	

Appendix G4

Budgeted Capital Expenditure by vote, function and funding for the year ended June 30, 2019

2019/2018

2018/2017

Original Budget	Budget Adjustments (I.O. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (I.O. s31 of the MFMA)	Virement (I.O. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote Multi-year expenditure														
Example 1 - Vote1	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Voted - Infrastructure Development	92,390,435	10,430,434	102,820,869	-	102,820,869	101,852,035	-	(968,834)	99 %	110 %	-	-	-	136,178,924
Example 4 - Vote4	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Capital multi-year expenditure sub-total	92,390,435	10,430,434	102,820,869	-	102,820,869	101,852,035	-	(968,834)	99 %	110 %	-	-	-	136,178,924
Single-year expenditure														
Vote1 - Executive Support	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Vote2 - Office of the Municipal Manager	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Vote3 - Planning and Economic Development	3,200,000	(1,630,000)	1,570,000	-	1,570,000	-	-	(1,570,000)	-	-	-	-	-	-
Vote4 - Infrastructure Development	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	10,143,925
Vote5 - Community Services	1,217,391	-	1,217,391	-	1,217,391	798,995	-	(418,396)	66 %	66 %	-	-	-	2,427,761
Vote6 - Corporate Services	2,521,739	3,050,000	5,571,739	-	5,571,739	2,687,277	-	(2,884,462)	48 %	107 %	-	-	-	5,462,619
Vote7 - Budget and Treasury	4,782,608	-	4,782,608	-	4,782,608	4,647,300	-	(135,308)	97 %	97 %	-	-	-	6,069,036
Example 8 - Vote8	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	DIV0 %	DIV0 %	-	-	-	-
Capital single-year expenditure sub-total	11,721,739	1,420,000	13,141,739	-	13,141,739	8,133,572	-	(5,008,167)	62 %	69 %	-	-	-	136,178,924
Total Capital Expenditure - Vote	104,112,174	11,850,434	115,962,608	-	115,962,608	109,985,607	-	(5,977,001)	95 %	106 %	-	-	-	272,357,848

Appendix G4

Budgeted Capital Expenditure by vote, function and funding for the year ended June 30, 2019

2019/2018

2018/2017

	Original Budget	Budget Adjustments (I.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (I.t.o. s31 of the MFMA)	Virement (I.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual % Outcome of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Governance and administration															
Executive and council	7,304,348	3,050,000	10,354,348	-	-	10,354,348	7,334,577	-	(3,019,771)	71 %	100 %	-	-	-	11,531,654
Finance and administration	7,304,348	3,050,000	10,354,348	-	-	10,354,348	7,334,577	-	(3,019,771)	71 %	100 %	-	-	-	11,531,654
Internal audit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and public safety															
Community and social services	1,217,391	-	1,217,391	-	-	1,217,391	798,995	-	(418,396)	66 %	66 %	-	-	-	186,280
Sport and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	1,217,391	-	1,217,391	-	-	1,217,391	798,995	-	(418,396)	66 %	66 %	-	-	-	186,280
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services															
Economic and environmental services	95,530,435	8,800,435	104,330,870	-	-	104,330,870	101,852,035	-	(2,538,835)	98 %	107 %	-	-	-	136,178,923
Planning and development	3,200,000	(1,530,000)	1,670,000	-	-	1,570,000	-	-	(1,570,000)	-	-	-	-	-	136,178,923
Road transport	92,390,435	10,430,435	102,820,870	-	-	102,820,870	101,852,035	-	(968,835)	99 %	110 %	-	-	-	136,178,923
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading services															
Energy services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,385,407
Water management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,143,925
Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,241,482
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	104,112,174	11,850,435	115,962,609	-	-	115,962,609	109,985,607	-	(5,977,002)	95 %	106 %	-	-	-	160,282,264

Funded by:

National Government	104,112,174	11,850,435	115,962,609	-	-	115,962,609	109,985,607	-	(5,977,002)	95 %	108 %	-	-	-	160,282,264
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	104,112,174	11,850,435	115,962,609	-	-	115,962,609	109,985,607	-	(5,977,002)	95 %	106 %	-	-	-	160,282,264
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Funding	104,112,174	11,850,435	115,962,609	-	-	115,962,609	109,985,607	-	(5,977,002)	95 %	106 %	-	-	-	160,282,264

Makhuduthamaga Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended June 30, 2019

2018/19										2018									
Original Budget	Budget Adjustments (I.O. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome		Original Budget	Budget Adjustments (I.O. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Cash flow from operating activities																			
Receipts																			
Property rates	6,749,051	6,196,411	12,945,462	13,017,169	71,707	101 %	193 %	7,265,182											
Government - Operating	256,837,000	-	256,837,000	256,437,500	(339,500)	100 %	100 %	240,532,198											
Government - Capital	66,000,000	7,000,000	73,000,000	73,000,000	-	100 %	111 %	77,257,802											
Interest received	10,234,567	(4,930,129)	5,304,438	3,575,622	(1,728,816)	67 %	35 %	8,749,002											
Cash received from customers and other revenue sources	28,017,520	33,857,419	62,874,939	6,744,911	(56,130,028)	11 %	23 %	6,228,271											
Interest	-	-	-	-	-	DIV0 %	DIV0 %	-											
Dividends	-	-	-	-	-	DIV0 %	DIV0 %	-											
Payments																			
Suppliers and employees	(257,930,641)	(14,219,672)	(272,150,313)	(327,710,571)	(55,560,258)	120 %	127 %	(380,917,493)											
Finance charges	-	-	-	-	-	DIV0 %	DIV0 %	-											
Transfers and Grants	-	-	-	-	-	DIV0 %	DIV0 %	-											
Net cash flow from/used operating activities	110,907,497	27,904,029	138,811,526	25,124,631	(113,686,895)	18 %	23 %	(40,885,008)											
Cash flow from investing activities																			
Receipts																			
Purchase of PPE	-	-	-	-	-	DIV0 %	DIV0 %	-											
Proceeds from sale of investment property	-	-	-	-	-	DIV0 %	DIV0 %	19,851											
Decrease (increase) other non-current receivables	-	-	-	-	-	DIV0 %	DIV0 %	-											
Decrease (increase) in non-current investments	-	-	-	-	-	DIV0 %	DIV0 %	-											
Payments																			
Capital assets	(119,729,000)	442,743	(119,286,257)	(35,350,271)	83,935,966	30 %	30 %	(24,081,430)											
Net cash flow from/used investing activities	(119,729,000)	442,743	(119,286,257)	(35,350,271)	83,935,966	30 %	30 %	(24,041,579)											
Cash flow from financing activities																			
Receipts																			
Short term loans	-	-	-	-	-	DIV0 %	DIV0 %	-											
Borrowing long term/financing	-	-	-	-	-	DIV0 %	DIV0 %	-											
Increase (decrease) in consumer deposits	-	-	-	-	-	DIV0 %	DIV0 %	-											
Payments																			
Repayment of borrowing	-	-	-	-	-	DIV0 %	DIV0 %	-											
Net cash flow from/used financing activities	-	-	-	-	-	DIV0 %	DIV0 %	-											
Net increase(decrease) in cash held	(8,821,503)	28,346,772	19,525,269	(10,225,640)	(29,750,909)	(52)%	116 %	(64,926,587)											
Cash/cash equivalents at the year begin								84,204,466											

Makhuduthamaga Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended June 30, 2019

		2018/19				2018			
	Original Budget	Budget Adjustments (Lto. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash/cash equivalents at the year end:	(8,821,503)	28,346,772	19,525,269	19,525,269	(10,225,640)	(29,750,909)	(52)%	116 %	